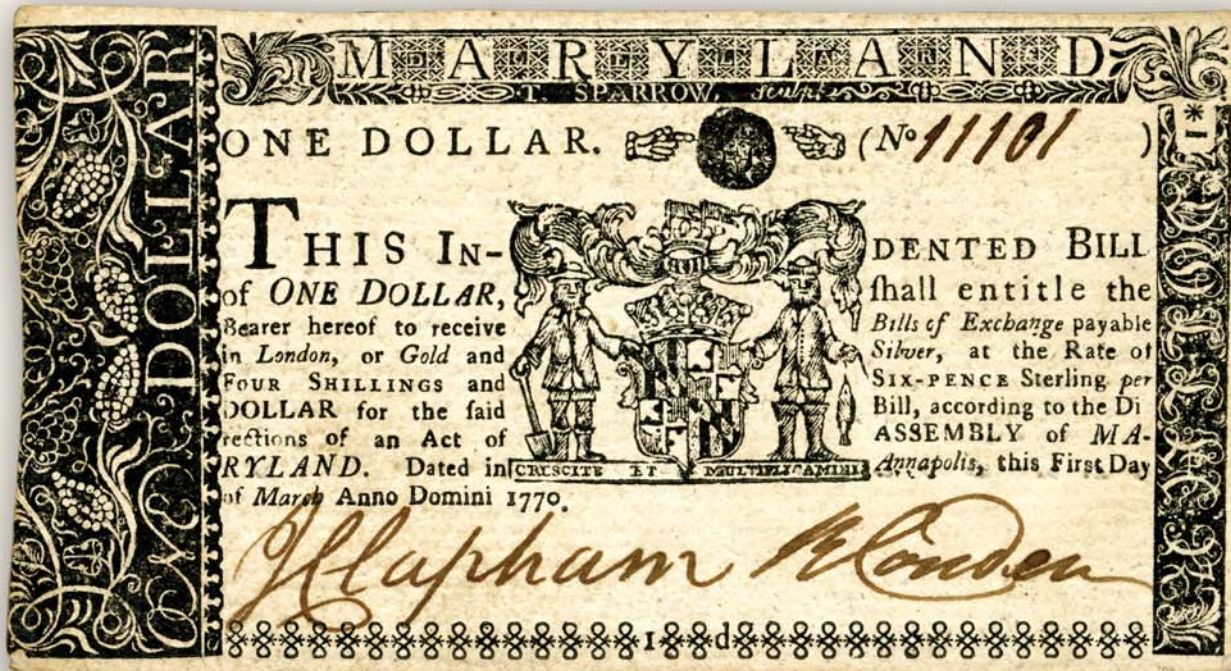




COMPREHENSIVE ANNUAL FINANCIAL REPORT



COLONIAL ONE DOLLAR BILL, PROVINCE OF MARYLAND, 1770

STATE OF MARYLAND • FISCAL YEAR ENDED JUNE 30, 2014

PETER FRANCHOT,
COMPTROLLER

STATE OF *Maryland*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



EXECUTIVE

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lieutenant Governor

PETER FRANCHOT
Comptroller

DOUGLAS F. GANSLER
Attorney General

NANCY K. KOPP
Treasurer

JUDICIAL

MARY ELLEN BARBERA
Chief Judge
Court of Appeals of Maryland

LEGISLATIVE

THOMAS V. MILLER, JR.
President of the Senate

MICHAEL E. BUSCH
Speaker of the House of Delegates



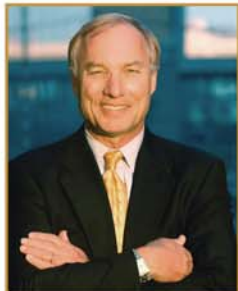
The Comptroller of the Treasury was created by Maryland's state constitution of 1851 to have "general superintendence of the fiscal affairs of the state." More specifically, the Comptroller's Office was created to keep watch over the State Treasurer whose activities had previously gone unchecked. The seal was authorized by the Maryland General Assembly on March 10, 1858, effective May 1, 1858. The seal is decorated with a shield bearing the coats-of-arms (or family symbols) of the Calvert and Crossland families — the paternal and maternal lineage of George Calvert, first baronet of Baltimore, who founded the Maryland colony in 1634.

Among the symbols on the seal are crossed keys, symbolizing security. The two keys also represent the two constitutional fiscal officers: the Comptroller and the Treasurer. By law, all money paid out of the State Treasury has to be approved by both.

Further symbols are: an eagle, symbolizing higher vision; a caduceus, symbol of commerce and negotiation; a safe, symbolizing financial security; and a dog, symbolizing the Comptroller's role as watch dog or guardian of the public trust. The Seal also bears the Comptroller's motto, "Crescite et Multiplicamini," which is Latin for "Increase and Multiply."

HELLO & *Greetings*

A Message from Comptroller Peter Franchot



As I conclude my eighth year as Comptroller — one in which we took time to look back over this office's 160-year history — I remain truly humbled to serve in a dream job as the current caretaker of such a storied tradition of public service.

Farmers, teachers, lawyers, newspaper editors, bankers, doctors, merchants, miners and businessmen — all of whom brought their collective

wisdom to an office that seeks to serve all Marylanders by looking after their hard-earned tax dollars.

I am blessed to serve you and feel privileged to have the opportunity to follow in the legendary footsteps of the Maryland giants who preceded me as Comptroller.

J. Millard Tawes, who served as Comptroller twice and is the only Marylander to serve as Comptroller, Governor and Treasurer; William Donald Schaefer, who is one of the most revered and beloved men in our state's history; and, of course, Maryland's legendary namesake of the building we occupy, my illustrious predecessor and the man to whom all Comptrollers will forever be compared, Louis L. Goldstein.

Each day, I have the honor of walking down the same hallowed halls as they did and I am dedicated to honoring their legacy by being the independent fiscal watchdog this position was created to be — and to safeguard taxpayer dollars in the way Marylanders expect.

With the help of our more than 1,100 hardworking employees in the Comptroller's Office, we are celebrating and honoring our rich history by building off past accomplishments and achieving new ones, taking the agency to an even higher level. I remain dedicated to the incorruptable values of my predecessors and look forward to improving the lives of Marylanders in the future.

Comptroller Peter Franchot

COMPTROLLER OF MARYLAND

PETER FRANCHOT
Comptroller

DAVID ROOSE
Deputy Comptroller

LEN FOXWELL
Chief of Staff

JEROME KLASMEIER
Assistant Comptroller

BRIAN L. OLINER, ESQUIRE
Counsel to the Comptroller

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Human Resources

STAN KIZIOR, DIRECTOR
Information Technology Division

WALLACE EDDLEMAN, INTERIM DIRECTOR
Revenue Administration Division

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PORTRAITS OF

Maryland Comptrollers



33. Peter Franchot
Montgomery County
Politician
Comptroller - 2007-present

*Comptroller Peter Franchot
thanks the staff of the
Maryland State Archives
for the creation, prepara-
tion and installation of
this permanent exhibit,
**PORTRAITS OF
MARYLAND
COMPTROLLERS,**
which hangs in the
Assembly Room of the
Louis L. Goldstein
building in Annapolis.*



1. Philip Francis Thomas
Easton (Talbot County)
Lawyer, Democrat
Comptroller - 1851 - 1853



2. Henry E. Bateman
Queen Anne's and Talbot Counties
Newspaper Editor, Democrat
Comptroller - 1853-1854



3. William Pinkney Whyte
Baltimore City
Lawyer, Democrat
Comptroller - 1854-1856



4. William Henry Purnell
Worcester County Lawyer, Whig,
Know-Nothing, Unionist and Democrat
Comptroller - 1856-1861



5. Dennis Claude
Anne Arundel County
Military Surgeon
Comptroller - 1861



6. Abram Lingan Jarrett
Harford County, Lawyer
Democrat
Comptroller - 1861-1862



7. Samuel Snowden Maffit
Cecil County
Democrat and Unionist
Comptroller - 1862-1864



8. Henry Hollyday Goldsborough
Talbot County Lawyer,
Whig, Democrat, Unionist and Republican
Comptroller - 1864



9. Robert John Jump
Caroline County, Lawyer
Unionist and Republican
Comptroller - 1864-1867



10. William James Leonard
Worcester (now Wicomico) County
Lawyer and Merchant,
Whig, Republican and Democrat,
Comptroller - 1867-1870



11. Levin Woolford
Princess Anne (Somerset County)
Lawyer, Farmer and Banker, Democrat
Comptroller - 1870-1878



A photo of Comptroller Keating
has never been located. As a
symbol in its place, this is what
the fifty dollar bill looked like at
that time. Rutherford B. Hayes
was president and Benjamin
Franklin appeared on the bill.

12. Thomas James Keating
Queen Anne's County Lawyer,
Newspaper Editor and Banker, Democrat
Comptroller - 1878-1884



13. J. Frank Turner
Talbot County Lawyer,
Democrat
Comptroller - 1884-1888



14. L. Victor Baughman
Frederick County Lawyer and Farmer,
Democrat
Comptroller - 1888-1892



15. Marion deKalb Smith
Kent County Lawyer,
Democrat
Comptroller - 1892-1896



16. Robert Patterson Graham
Wicomico County Lawyer,
Republican
Comptroller - 1896-1898

A PERMANENT EXHIBIT, LOUIS L. GOLDSTEIN TREASURY BUILDING



17. Phillips Lee Goldsborough
Dorchester County Lawyer,
Republican
Comptroller - 1898-1900



18. Dr. Joshua W. Hering
Frederick and Carroll Counties
Physician and Banker, Democrat
Comptroller - 1900-1904 (first tenure)



19. Dr. Gordon T. Atkinson
Crisfield (Somerset County)
Physician, Democrat
Comptroller - 1904-1908



20. Dr. Joshua W. Hering
Frederick and Carroll Counties
Physician and Banker, Democrat
Comptroller - 1908-1910, 2nd tenure



21. William B. Clagett
Prince George's County
Tobacco Farmer, Democrat
Comptroller - 1910-1911



22. Charles H. Stanley
Prince George's County
Lawyer, Democrat
Comptroller - 1911-1912



23. Emerson Columbus Harrington
Dorchester County Teacher and Lawyer,
Democrat
Comptroller - 1912-1916



24. Hugh A. McMullen
Allegany County Miner,
Merchant and Banker, Democrat
Comptroller - 1916-1920



25. E. Brooke Lee
Montgomery County Lawyer,
Democrat
Comptroller - 1920-1922



26. William S. Gordy, Jr.
Salisbury (Wicomico County) Banker,
Democrat
Comptroller - 1922-1939



27. J. Millard Taves
Crisfield (Somerset County) Banker,
Democrat
Comptroller - 1939-1947 (first tenure)



28. James J. Lacy
Baltimore City Businessman,
Democrat
Comptroller - 1947-1950



29. J. Millard Taves
Crisfield (Somerset County)
Banker, Democrat
Comptroller - 1950-1959 (second tenure)



30. Louis L. Goldstein
Prince Frederick (Calvert County)
Lawyer and Politician, Democrat
Comptroller - 1959-1998



31. Robert L. Swann
Calvert County native
Government Employee
Comptroller - 1998-1999



32. William Donald Schaefer
Baltimore City
Lawyer and Politician, Democrat
Comptroller - 1999-2007

*The following individuals
and organizations deserve
special recognition for their
vision and
dedication to preserving
Maryland's history:*
Timothy D. Baker,
Acting State Archivist
Elaine Rice Bachmann,
*Director, Artistic Property,
Exhibits, Outreach,
State House Office of
Interpretation*
*and the entire conservation
and preservation staff of*

THE
MARYLAND
STATE ARCHIVES.



OUR FINE *History*

*Front view of the
State House and the
Old Treasury Building
in Annapolis, Maryland.*

*Engraving by
Charles Willson Peale,
1789.*



THE THIRTY-ONE MEN who preceded me in this office left behind a rich history and tradition. For the first time, we displayed a collection of their portraits to recognize and honor the service of each one of Maryland's past Comptrollers. These men and I are bound together in history with the service provided by the office for more than 160 years. I feel an obligation to preserve the history, the significant contributions of this historic office and to pay homage to those who have safeguarded the best interests of taxpayers through the years.

Along with the incomparable giants of the past two generations — Tawes, Goldstein and Schaefer — frequently unheralded Comptrollers laid the foundation for the rich tradition of this office.

William Pinkney Whyte, the third Comptroller and a lawyer from Baltimore City, established a simplified system that is regarded as demonstrating the “wisdom of the Constitution in providing the safeguard to the Treasury.”

Thomas James Keating, a newspaper editor, lawyer and banker from Queen Anne's County, served as the 12th Comptroller. He was respected as a good financial manager who worked hard to “retrench and reform” state finances, including reducing the debt.

L. Victor Baughman, the 14th Comptroller, was a lawyer, farmer and expert horseman from Frederick County. Nicknamed the “Napoleon of Western Maryland,” he managed the C&O Canal, the B&O Railroad and the regional Electric Railway and was involved in settling the substantial debts incurred by Maryland during the Civil War.

William S. Gordy, Jr., a banker from Wicomico County, served as the 26th Comptroller. A self-described, by-the-book businessman, Gordy was Maryland's first professional Comptroller and served for almost two decades. From the first gas tax in 1922 to the first income tax in the late 1930s, he effectively ran the Comptroller's Office through the biggest economic swings in American history, including the Great Depression.

Maryland's history is full of leaders who have provided a steady hand and sound fiscal management in some of the most turbulent times. In their own way, with their diverse backgrounds, they have paved the road that led us here. It is a legacy and tradition we emphasize and one we are proud to continue.

OUR MANY

Accomplishments



UNDER MY LEADERSHIP, the Comptroller's Office has made it easier than ever for Marylanders to file their taxes and pay their bills electronically. As a result, we've saved the state millions of dollars, and have made sure taxpayers on average receive their electronic refunds within three business days.

Simultaneously, we have rewarded the vast majority of Marylanders who pay their fair share by going out and aggressively collecting delinquent taxes from those who don't. To date, we have recaptured more than \$3.7 billion that is rightfully owed to the people of Maryland. This is money we've used to improve our schools, to aid in the cleaning of the Chesapeake Bay, to provide quality healthcare and to support first responders who keep our communities safe.

As a member of the state's Board of Public Works, I'm proud to have supported Maryland's historic investment of \$2.3 billion in state school construction funding over the last eight years. No investment has more significance to our long-term economic prosperity than those we make in our schools, our children and our teachers.

The role of the Comptroller is to protect taxpayers' hard-earned money, to ask the tough questions and to hold officials accountable for choices that affect Maryland families and small businesses. That is what our office — and the hardworking and dedicated people who work here — have and will continue to do.





*Comptroller Franchot
joins the Newport Mill
Middle School
Advanced Treble Chorus
from Kensington,
Maryland, after their
performance for the
agency staff in
Annapolis.*

AS WE MOVE into 2015 and beyond, the Comptroller's Office continues to improve our service to the taxpayers of Maryland. We consistently rededicate ourselves to provide Maryland taxpayers with Respect, Responsiveness and Results.

We remain committed to doing our part to help all Marylanders weather these tough economic times by quickly returning refunds and reuniting taxpayers with lost money. We vow to continue cracking down on tax evaders and ensuring that all businesses are operating on a level playing field.

My staff continues to use new technology to make the tax-filing process as easy and efficient as possible. We look forward to offering new online services for business and individual taxpayers in the years to come.

We will redouble our efforts to ensure that every Maryland student receives a comprehensive financial literacy education before graduation. Teaching children the basics of credit, debt, investing and saving are critical to a young person's future success and to the financial stability of our state.

I will continue to seek better efficiencies in state government as a member of the Board of Public Works and as Chairman of the Board of Revenue Estimates. I also remain dedicated to making significant investments in our state's biggest asset — our children — by making sure that every student has a safe, comfortable and innovative place to learn.

While the state faces a volatile economy, the entrepreneurial spirit, creativity, innovation and dedication shown by our people will help lead us to increased prosperity in the future.



Government Finance Officers Association

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Achievement
for Excellence
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Reporting**

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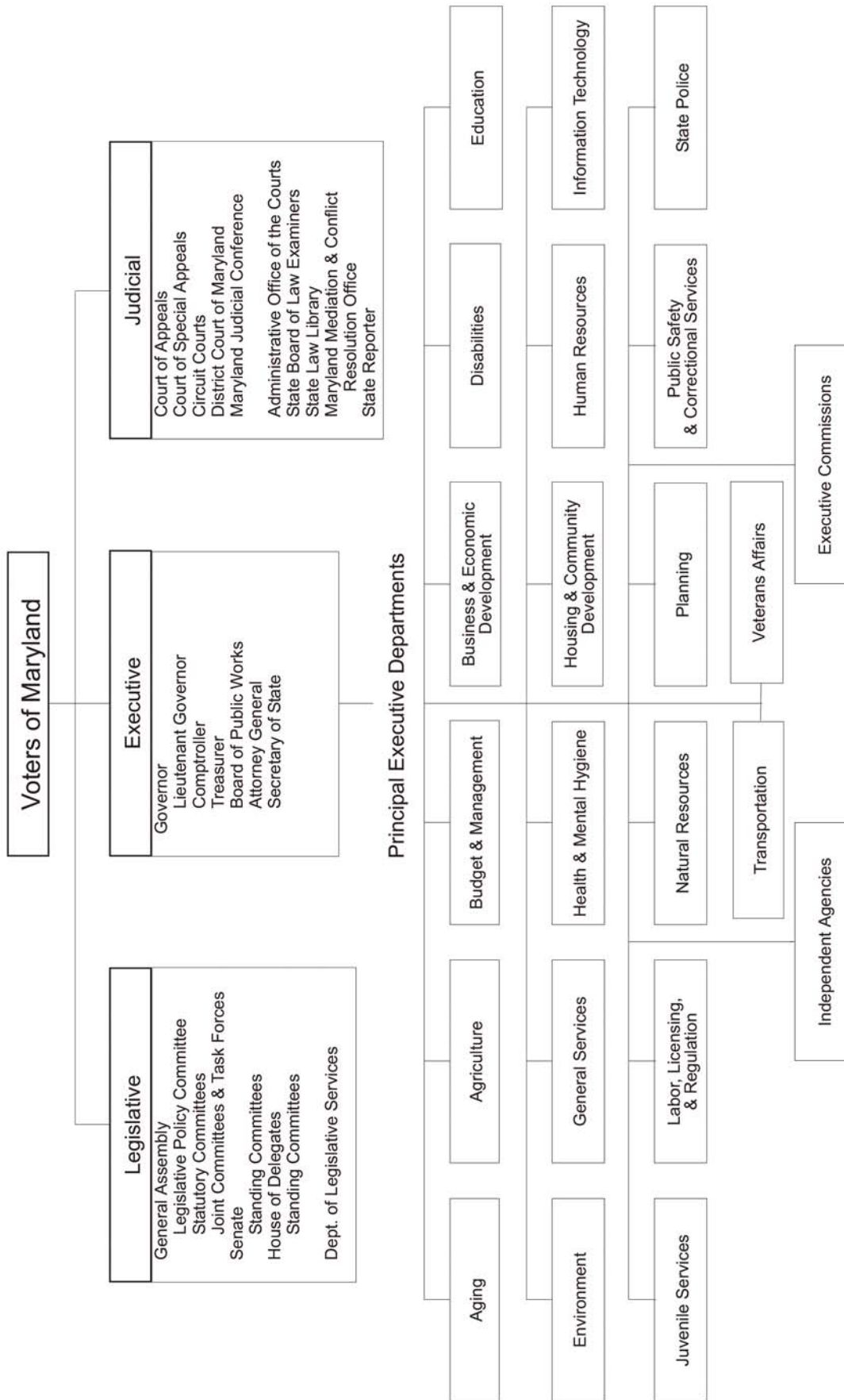
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO

OVERVIEW OF MARYLAND STATE GOVERNMENT



STATE OF MARYLAND
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for the fiscal year ended June 30, 2014

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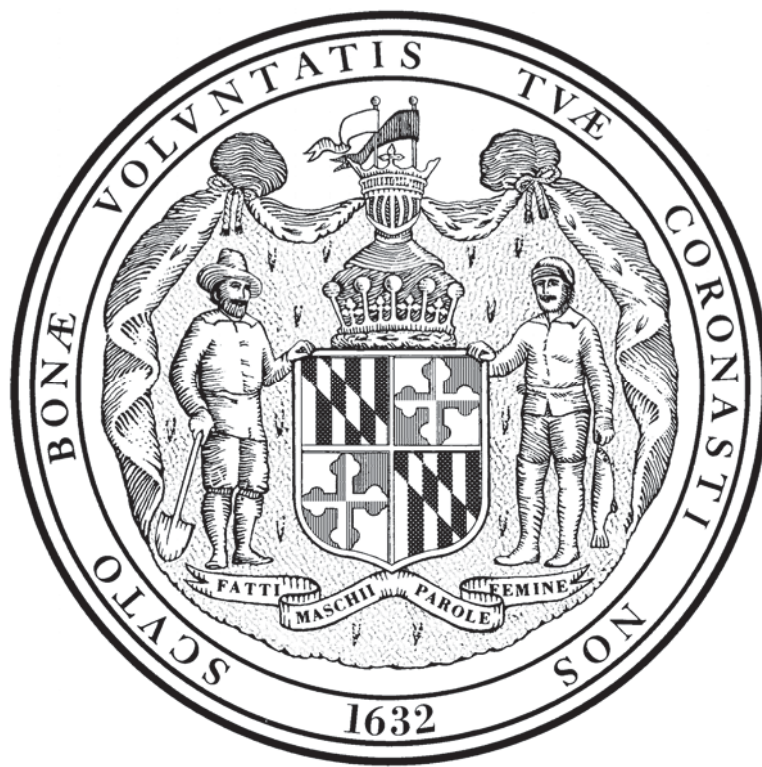
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Introductory Section





Peter Franchot
Comptroller

Honorable Members of the General
Assembly and the Governor,
State of Maryland

December 17, 2014

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the Fiscal Year ended June 30, 2014, includes the financial statements of the State as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's basic financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been compiled with, and the opinion of SB & Company, LLC, our independent public accountants, has been included in the financial section of this report. SB & Company, LLC also performed an audit to meet the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and such information is contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities and the College Savings Plans of Maryland are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority, the Maryland Technology Development Corporation and the Maryland Stadium Authority are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

Background Information on the State:

Maryland ratified the United States Constitution on April 28, 1788. Its capitol is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly, composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

80 Calvert Street • PO Box 466, Annapolis MD 21404-0466 • 410-260-7801 • 1-800-552-3941 (MD) • Fax: 410-552-3941 (MD)
Fax: 410-974-3808 • 711 • TTY 410-260-7157 • pfranchot@comp.state.md.us

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by October 1 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, in addition to the general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

Information on the State's Economic Condition:

The principal descriptive element of Maryland's recent economic trajectory has been the divergence between its growth and that of the nation as a whole. That is not to say that the State and national economic trajectories are normally synchronized, the difference is that generally, since the dot-com bubble, the pre-2012 divergence had been favorable to Maryland. Largely the recent relative successes of the national economy can be attributed to the strength and recovery of tangible goods producing industries, generally industries where Maryland does not have a significant footprint. Further impacting the divergent paths is the relative concentration of federal government expenditures in Maryland; sequestration and the lingering uncertainty continue to reduce economic output in the State. As a result of these elements, the current near-term outlook points towards lesser growth for Maryland relative to the nation.

Whereas Maryland's economic growth had eclipsed national growth, as measured by real gross domestic product (GDP), in every year with one exception between 2001 and 2011, the differences in 2012 and 2013 are substantial. Notably, GDP growth in Maryland was stagnant in 2013 (0.0% growth). Driving growth nationally in 2013 were the manufacturing, natural resources and mining, and real estate, rental, and leasing industries.

Manufacturing has seen somewhat of a renaissance in the United States as foreign capital has grown older and shipping and labor costs have increased internationally. The natural resources and mining industry has benefited from high commodity prices as well as gas exploration and extraction; those benefits are generally concentrated in the Midwest. Interestingly, growth in this category was actually stronger in Maryland, up 12.3% versus 6.7% nationally; however, the share of the total economy is so small in Maryland, only 0.4% of total output versus 3.3% nationally, that the impact is very small for Maryland in the aggregate. Nationally, the real estate, rental, and leasing industry has seen relatively strong growth since 2009, though Maryland has not been as fortunate.

Government output, including federal as well as State and local, was the greatest detractor from growth for both the nation and Maryland. Government output only decreased 0.5% in Maryland while it decreased 0.9% nationally, though the industries' size in Maryland increases the impact; total government accounted for 20.8% of Maryland's economic output while only 12.6% nationally. A breakdown between levels of government is not yet available, though it seems very reasonable to assume that the federal government contracted and State and local governments' growth rates remained sluggish or declined moderately.

Of course, Maryland did not realize as substantial an economic contraction during the Great Recession as the nation as a whole. Paradoxically, a significant reason for the less substantial decline in 2009 was the manufacturing industry; manufacturing actually expanded in Maryland in 2009, growing 3.8%, versus a decline of 7.8% nationwide. In 2009, Maryland also benefited from strong growth in federal government output, presumably largely related to the 2005 Base Realignment and Closure (BRAC) process which shifted many defense positions to Maryland installations, with positions actually beginning to transfer in 2009 and reaching conclusion in 2011. Relatedly, it should be noted that relative to prior peak GDP (2007 for the United States and 2008 for Maryland), through 2013 Maryland's economy has increased by 5.5% whereas the national economy has increased only 4.7%.

The employment situation, as one would expect, is very similar to that of GDP. Maryland's employment growth in recent years has not kept pace with national employment growth. Of course, the timing may differ somewhat as employment decisions may precede or lag economic circumstances. Also, as was touched on earlier, the federal budget issues that have been depressing Maryland's growth relative to national growth are regionally acute; therefore, it is not surprising that since 2011 Maryland, Virginia, and the District of Columbia have all lagged national growth.

Beginning mid-2011 – in unison with the beginning of the federal sequestration discussions – Maryland's total employment growth began to look substantially different from the national rate. It now seems evident that private companies began adjusting payrolls for the eventual reduction in federal government outlays prior to the passage of the first sequestration bill, the Budget Control Act of 2011. Furthermore, even as we are now more than one year removed from the onset of sequestration, it seems the effects continue to weigh on private sector job growth. This may be related to a lack of transparency from federal agencies regarding the manner in which they reached their reduced budget targets. Continued uncertainty may plague private federal contractors.

Direct federal job losses would come later as sequestration's actual commencement date neared. Interestingly, federal jobs have decreased at a greater rate nationally than in Maryland. While there is no way to be certain, it seems likely that the federal job losses are occurring at a greater rate in field offices, relatively benefiting Maryland. However, the impact to Maryland's labor market is greater than that of the nation because of the share of the federal government employment here; in 2013 federal employment directly accounted for 5.6% of payroll jobs in Maryland versus 2.0% nationwide.

While employment in Maryland has increased, albeit at a less than desirable pace, income growth has been frustratingly slow. Suppressing growth has been extraordinarily weak growth in the average wage for the last several years. In fact, between the first quarter of 2012 and the second quarter of 2014, the average wage in Maryland has increased more than 2.0% (the general barometer for inflation) only twice. This is indicative of lost purchasing power for the average wage earner. The fact that wages compose approximately 47.0% of total personal income in Maryland, along with other factors which served to restrain growth in 2013, lead to a total Maryland personal income increase of only 1.1% in 2013.

Possibly most notable of these other factors was the fiscal cliff: a general term used to define the expiration of many preferential tax rates that were set to expire at the end of 2012. An agreement was reached in the early days of 2013 that ameliorated the impact for taxpayers, though the uncertainty leading up to that period triggered a wave of income recognition. The effect was income that might have been recognized in 2013 was recognized in 2012. For example, companies paid dividends to shareholders in 2012 that would have normally been paid as the first quarterly dividend distribution for 2013. Many other types of income were affected, including capital gains, wages, and proprietor income. It seems likely that future years will also have depressed income as a result of this wave of income recognition; however, the extent of the effect on future years is unknown given current data.

The official economic forecast is for employment to grow .7% in 2014 and 1.2% in 2015, personal income to grow 3.3% in 2014 and 4.0% in 2015 and wages to grow 3.5% in 2014 and 4.4% in 2015.

Regional issues and slowing global growth will restrain Maryland employment growth in the near-term. Growth will receive a boost as the rate of federal government job losses is reduced, or at least flat lines, in the near future. Further growth is derived from continued improvement for the broader, national economy. An improving job market is expected to reduce labor market slack, thereby increasing employer job competition and placing upward pressure on wages. Aggregate income growth benefits from increased employment as well as a moderate rebounding from the specific fiscal cliff issues that distorted growth in 2012 and 2013.

Negative risks persist and should not be ignored. The current federal government spending bill expires on December 11; failure to pass a budget or a continuing resolution could create another federal government shutdown. The global economic situation remains desperate in some areas (Europe) and is slowing in developing countries (the BRICS countries). Further negative developments, particularly in Europe, could slow national and Maryland economic growth. Additionally, the perennial risks remain: unrest in the Middle East; other geopolitical unrest (Russia in particular); Federal Reserve actions (possible "unwinding" of quantitative easing and raising interest rates); demographic shifts.

On the positive side, a broader long term budget agreement, one that does not further cut discretionary spending, could provide just the type of certainty that Maryland's federal contractors need to jump start labor and capital planning decisions. Recent developments in the price of sweet crude oil (less than \$70 per barrel in first few days of December) are encouraging. Reduced oil prices should provide significant savings for consumers, encouraging consumer spending, as well as reduce inflation for many goods over time. In turn, the reduced inflation expectations may support continued near-term Federal Reserve support for the economy. Additionally, the Panama Canal expansion project should complete in early 2016; the Port of Baltimore and surrounding areas could benefit tremendously, particularly if the bottlenecks at the Baltimore and Potomac railroad tunnel is alleviated.

Major Initiatives and Long Term Financial Planning:

The fiscal year 2015 budget holds spending growth below 4% and reduces the structural budget deficit by more than \$125 million in accordance with guidelines established by the State's Spending Affordability Committee. The budget includes \$457 million of reductions and allows Maryland to address upcoming challenges by leaving the Rainy Day fund intact.

The 2015 budget prioritizes job creation. Investments in small businesses and large-scale financing projects include \$88 million in programs to develop high-technology firms, encourage business expansion and relocation to the State, support development among historically-disadvantaged companies, and assist urban revitalization and rural businesses. The budget also includes \$40 million in tax incentives and funding to assist emerging industries bring research to market and sustain investments in the life sciences, cyber security and stem cell research. The fiscal year 2015 budget includes \$212 million for workforce development programs.

Maryland will increase spending for its public primary and secondary schools by \$136 million to \$6.1 billion in fiscal year 2015. In addition, higher education funding will be \$6.0 billion in fiscal year 2015, an increase of \$19 million from fiscal year 2014. Tuition increases will be capped at the University System of Maryland to 3%.

The fiscal year 2015 budget includes Medicaid funding of \$8.9 billion to provide access to health care for over one million Marylanders. The budget also includes over \$1.2 billion in federal supplemental nutrition assistance (SNAP) for 410,000 households. The Chesapeake Bay 2010 Trust Fund will be provided \$42 million, an increase of \$10 million over the current year.

Through the capital budget, investments are made in rebuilding schools, transportation network, and community infrastructure while supporting and leveraging more than 48,000 jobs. The 2015 capital budget allocates \$275 million for school construction and \$374 million for higher education projects. The capital improvement program will make additional investments of \$4.4 billion over the next six years in transportation infrastructure. Included among these investments are the new Red Line Transitway in Baltimore and the new Purple Line Transitway in the Washington area. In addition, the 2015 capital budget includes \$24 million for Rental Housing Works, providing a total of \$285 million in public and private investment to build affordable rental housing.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 34 consecutive years (Fiscal Years ended 1980 – 2013). We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

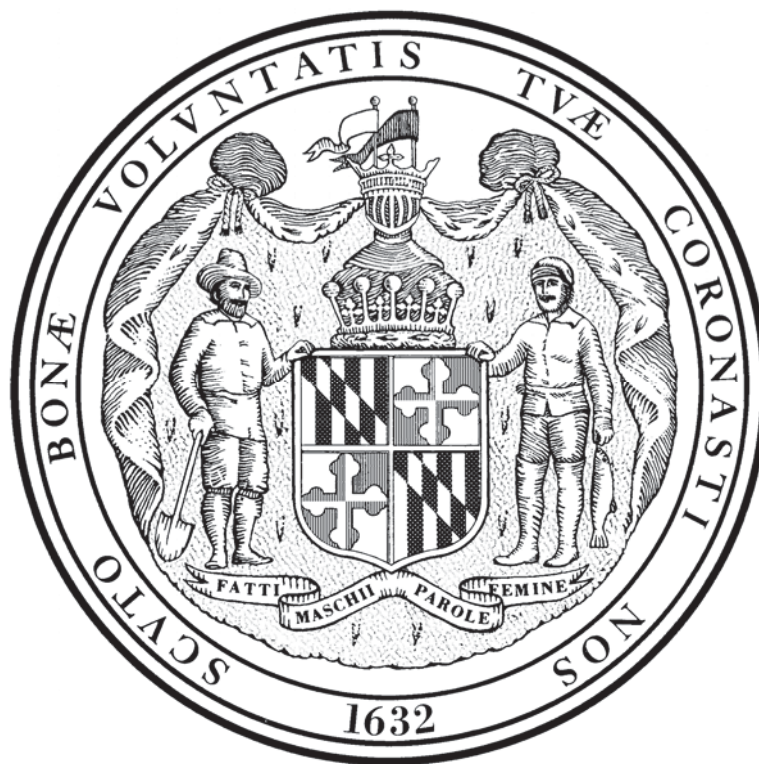
The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,



Peter Franchot,
Comptroller of Maryland





Financial Section





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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
Comptroller of Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The State's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain Economic Development Loan Programs; the Maryland Lottery and Gaming Control Agency; the Maryland Transportation Authority; the Economic Development Insurance Programs; certain foundations included in the higher education component units; the Maryland Technology Development Corporation; and the Investment Trust Fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the State, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements that we did not audit which are listed above represent the percentages of the total assets, total net position, and total revenues of the accompanying financial statements as listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Position	Total Operating Revenues
Business-Type Activities			
Major -			
Certain Economic Development Loan Programs	21.9 %	5.7 %	2.6 %
Maryland Lottery and Gaming Control Agency	1.7	0.1	59.5
Maryland Transportation Authority	50.8	48.3	18.1
Non-Major -			
Economic Development Insurance Programs	0.6	1.0	0.1
Total percentage of business-type activities	75.0 %	55.1 %	80.3 %
Component Units Major -			
Major -			
Certain foundations included in the higher education component units	13.3 %	15.1 %	14.1 %
Non-Major -			
Maryland Technology Development Corporation	0.2	0.1	1.8
Total percentage of component units	13.5 %	15.2 %	13.3 %
Fiduciary Funds			
Investment Trust Fund	5.4 %	6.0 %	38.7 %

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the State adopted the new accounting guidance from GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and restated the July 1, 2013, net position on the statement of activities. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; required supplemental schedules of funding progress and employer contributions for the Maryland Transit Administration Retiree Healthcare Benefit, and Other Post-employment Benefits Plan; and the respective budgetary comparison for the budgetary general, special and Federal funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements, schedules, introductory and statistical sections, and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, schedules, introductory and statistical sections, and financial schedules required by law is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion and based on the reports of the other auditors, the combining financial statements, schedules, introductory and statistical sections, and financial schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections and the financial schedules required by law as listed in table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

SB & Company, LLC

Hunt Valley, Maryland
December 17, 2014

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2014. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report, and the State's financial statements which follow this section.

Financial Highlights

Government-wide

- Maryland reported net position of \$9.5 billion in fiscal year 2014 and \$10.3 billion in fiscal year 2013.
- Of the net position in fiscal year 2014, a deficit balance of \$9.9 billion was reported as total unrestricted net position, which includes a \$12.1 billion deficit balance in governmental activities and a \$2.2 billion balance in business-type activities.
- The State's total net position decreased by \$731 million as a result of this year's operations. The net position for governmental activities decreased by \$1.1 billion (30.1%). Net position of business-type activities increased by \$327 million (4.9%).
- The State's governmental activities had total expenses of \$33.0 billion, total revenues of \$31.0 billion and net transfers from business-type activities of \$884 million for a net decrease of \$1.1 billion.
- Business-type activities had total expenditures of \$3.6 billion; program revenues of \$4.8 billion; general revenues of \$4 million; and transfers out of \$884 million for a net increase in net position of \$327 million.
- Total State revenues were \$35.8 billion, while total costs for all programs were \$36.5 billion.

Fund Level

- Governmental funds reported a combined fund balance of \$1.9 billion, a decrease of \$177 million (8.4%) from the prior year.
- The General Fund reported an unassigned fund balance deficit of \$916 million and a remaining fund balance (nonspendable, restricted, and committed) of \$2.1 billion, compared to an unassigned fund balance deficit of \$623 million and a remaining fund balance of \$2.0 billion last year. This represents a net decrease of \$220 million in General Fund, fund balance. The total unassigned fund balance deficit in the governmental funds was \$1.3 billion, compared to a deficit of \$977 million in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of \$3.2 billion in 2014, compared to \$3.1 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end were \$17.2 billion, a net increase of \$382 million in 2014 (2.3%) over the prior year.
- \$1.2 billion General Obligation Bonds of which \$237 million were refunding bonds, and \$325 million Transportation Bonds were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The *Statement of Net Position* presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position". Over time, increases and decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities – The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with the State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency (MLGCA), the Maryland Transportation Authority and the Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the College Savings Plans of Maryland and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority, Maryland Technology Development Corporation and Maryland Stadium Authority.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 31 and 33) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Other amounts that otherwise meet the definition of a revenue or expense that relate to a future period are deferred only on the government-wide statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.

- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 26 - 29 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, are provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 28 and 30 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide business-type financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for business in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development – Loan Programs, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency and the Maryland Transportation Authority. Data for the non-major enterprise funds, Economic Development – Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated

presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 36 – 40 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State’s own programs. Fiduciary funds use accrual accounting.

The State’s fiduciary funds include the Pension and Other Employee Benefits Trust Funds (Pension Trust), the Investment Trust Fund, the Postretirement Health Benefits Trust Fund (OPEB Trust) and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan and the Deferred Compensation Plan. The Postretirement Health Benefits Trust Fund accumulates funds to assist with the costs of the State’s postretirement health insurance subsidy. The Investment Trust Fund accounts for the transactions, assets, liabilities and net position of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 41 – 42 of this report.

Combining Financial Statements, Component Units – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Position and the Statement of Activities. Combining Statement of Net Position and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 44 – 46 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 48 – 106 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special and federal funds, along with a reconciliation of the statutory and Accounting Principles Generally Accepted in the United States of America (GAAP) General and Special Revenue Funds, fund balances at fiscal year end. This report also presents certain required supplementary information concerning the State’s progress in funding obligations to provide other post-employment benefits and includes a footnote concerning budgeting and budgetary control. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State’s combined net position (governmental and business-type activities) totaled \$9.5 billion at the end of 2014 and \$10.3 billion at the end of 2013.

Net Position as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets.....	\$ 6,176	\$ 6,090	\$ 8,147	\$ 8,474	\$ 14,323	\$ 14,564
Capital assets.....	20,819	20,128	5,546	5,258	26,365	25,386
Total assets.....	26,995	26,218	13,693	13,732	40,688	39,950
Total deferred outflows of resources..	200		31	27	231	27
Long-term liabilities.....	19,743	17,996	5,750	6,012	25,493	24,008
Other liabilities	4,959	4,639	878	968	5,837	5,607
Total liabilities.....	24,702	22,635	6,628	6,980	31,330	29,615
Total deferred inflows of resources...	52	53	33	3	85	56
Net position:						
Net invested in capital assets.....	14,313	14,204	2,781	2,396	17,094	16,600
Restricted	214	241	2,074	2,267	2,288	2,508
Unrestricted.....	(12,086)	(10,915)	2,208	2,113	(9,878)	(8,802)
Total net position.....	\$ 2,441	\$ 3,530	\$ 7,063	\$ 6,776	\$ 9,504	\$ 10,306

The largest portion of the State's net position, \$17.1 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding, as adjusted by any deferred inflows or deferred outflows of resources. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net position, \$2.3 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net position, a deficit of \$9.9 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

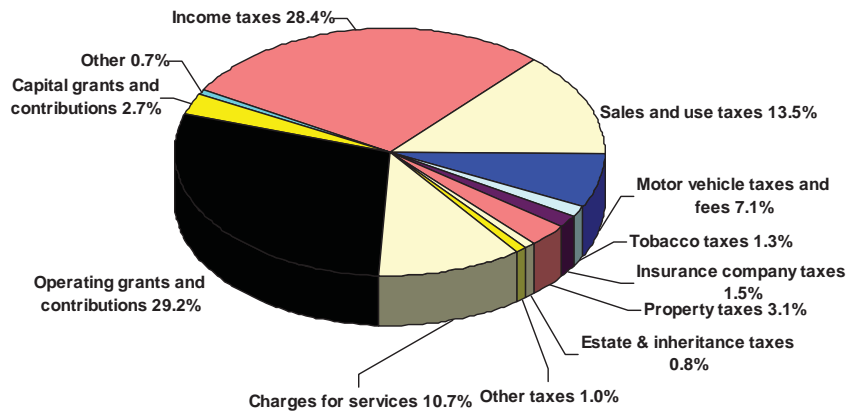
Changes in Net Position

For the Year Ended June 30,

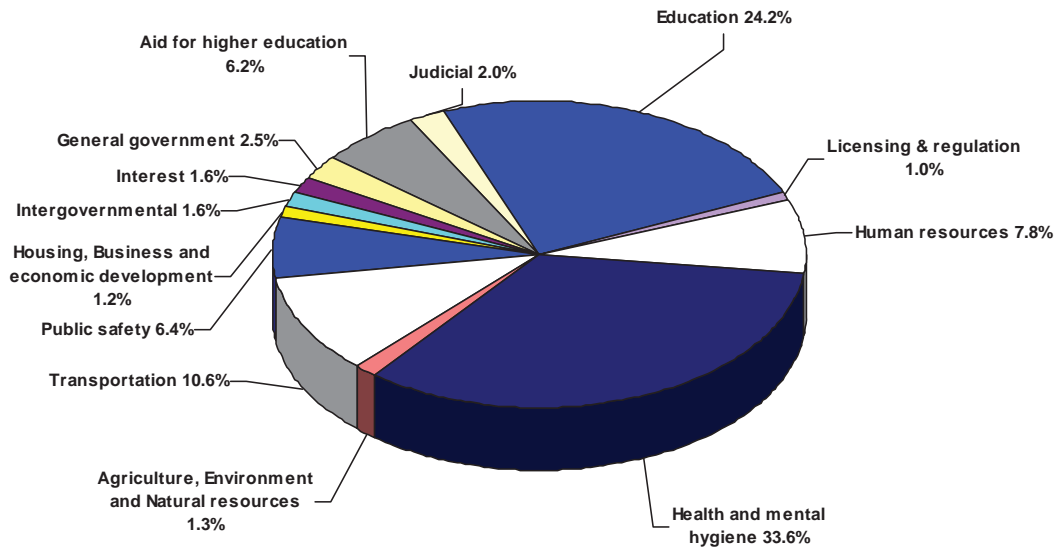
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services.....	\$ 3,339	\$ 3,577	\$ 4,466	\$ 4,298	\$ 7,805	\$ 7,875
Operating grants and contributions.....	9,056	8,234	302	592	9,358	8,826
Capital grants and contributions.....	826	845			826	845
General revenues:						
Income taxes.....	8,804	8,657			8,804	8,657
Sales and use taxes.....	4,200	4,116			4,200	4,116
Motor vehicle taxes.....	2,197	2,073			2,197	2,073
Tobacco taxes.....	402	416			402	416
Insurance company taxes.....	475	429			475	429
Property taxes.....	973	990			973	990
Estate & inheritance taxes.....	238	259			238	259
Other taxes.....	314	293			314	293
Unrestricted investment earnings.....	213	(5)	4	1	217	(4)
Total revenues.....	31,037	29,884	4,772	4,891	35,809	34,775
Expenses:						
General government.....	832	895			832	895
Health and mental hygiene.....	11,078	10,037			11,078	10,037
Education.....	7,970	7,695			7,970	7,695
Aid for higher education.....	2,043	1,918			2,043	1,918
Human resources.....	2,585	2,612			2,585	2,612
Public safety.....	2,101	2,096			2,101	2,096
Transportation.....	3,504	3,146			3,504	3,146
Judicial.....	662	642			662	642
Labor, licensing and regulation.....	334	320			334	320
Natural resources and recreation.....	213	186			213	186
Housing and community development.....	294	296			294	296
Environment.....	103	105			103	105
Agriculture.....	98	97			98	97
Business and economic development.....	105	71			105	71
Intergovernmental grants.....	541	508			541	508
Interest.....	516	486			516	486
Economic development insurance programs...			5	13	5	13
Economic development loan programs.....			410	437	410	437
Unemployment insurance program.....			925	1,247	925	1,247
Maryland Lottery and Gaming Control Agency.....			1,701	1,525	1,701	1,525
Maryland Transportation Authority.....			469	452	469	452
Maryland Correctional Enterprises.....			51	51	51	51
Total expenses.....	32,979	31,110	3,561	3,725	36,540	34,835
Increase (decrease) in net position						
before transfers.....	(1,942)	(1,226)	1,211	1,166	(731)	(60)
Transfers.....	884	779	(884)	(779)		
Change in net position.....	(1,058)	(447)	327	387	(731)	(60)
Net position - beginning, as restated.....	3,499	3,977	6,736	6,389	10,235	10,366
Net position - ending.....	\$ 2,441	\$ 3,530	\$ 7,063	\$ 6,776	\$ 9,504	\$ 10,306

2014 REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



2014 EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



Governmental Activities

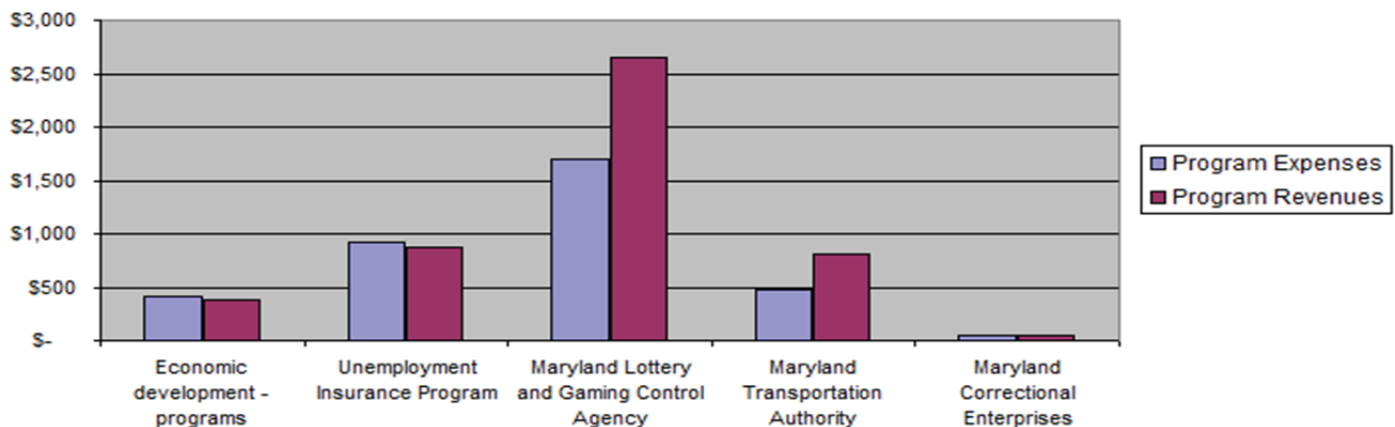
- Assets and deferred outflows exceeded liabilities and deferred inflows by \$2.4 billion at the end of fiscal year 2014, a decrease of \$1.1 billion from the previous year.
- Comprising the decrease in net position, capital assets increased by \$690 million and long-term liabilities increased by \$1.8 billion. The major capital asset events are discussed in the Capital Assets section of this analysis. Among the components of the increase in long-term liabilities were increases in bonds and notes payable (\$551 million); the State's net pension obligation (\$598 million); net other post-employment benefits obligation (OPEB) (\$224 million); and capital leases (\$149 million). The increase in bonds and notes payable is discussed in the Long-Term Debt section of this analysis. The increases in the net pension and OPEB obligations resulted from the underfunding of the OPEB and pension annual required contribution. The additions to capital leases were primarily for a new health laboratory building.

Business-type Activities

Business-type activities increased the State's net position by \$1.2 billion before transfer of \$884 million to governmental activities, for a net increase of \$327 million in net position. The increase compares to an increase of \$1.2 billion before transfers of \$779 million in the prior year. Key elements of this increase are as follows:

- Net position of the Maryland Transportation Authority increased by \$340 million compared to an increase of \$167 million in the prior year. Net operating income was \$435 million compared to \$271 million in the prior year. Operating revenues increased in 2014 by \$187 million (30.3%) from 2013 due to the phased implementation of the new toll rate structure for cars and commercial vehicles.
- The Unemployment Insurance Program net position decreased by \$45 million in 2014. Net position increased by \$139 million in 2013. Operating activities resulted in a deficit of \$266 million compared to the prior year's operating deficit of \$347 million. Charges for services (unemployment taxes) decreased by \$240 million (26.7%) and benefit payments were reduced by \$322 million (25.8%). Both the amount of taxes paid by Maryland employers and the amount of benefits received by the unemployed are products of the economic climate. Federal payments for extended benefits and other programs decreased by \$266 million (57.2%).

2014 Expenses and Program Revenues - Business-Type Activities
(Expressed in Millions)



- Net assets for the Economic Development Loan Programs increased by \$30 million compared to an increase of \$97 million in the prior year. This resulted primarily from activity in the Maryland Water Quality Administration funds. Transfers in of general obligation bond proceeds to fund capital project expenditures, \$99 million in the prior year, were fully drawn as of June 30, 2013. The contributions received from Federal grants and the State match decreased by \$58 million due to decreased availability. There was a decrease of \$34 million in capital grant disbursements.
- Lottery tickets sales were \$1.7 billion in 2014, a decrease from \$1.8 billion in the prior year. In 2014, MLGCA oversaw the operation of four casinos with a full year of operations for both video lottery terminals and table games compared to three casinos with a full year of operations and the opening of a fourth casino. As a result, gross video lottery terminal and table game revenue was \$837 million in 2014, an increase of \$226 million (37.0%) over the prior year. Operating expenses increased by \$174 million (11.4%) in 2014. The major reason for the increase was related to increased commissions paid to casino operators. Transfers to governmental activities by MLGCA were \$942 million in 2014, an increase of \$20 million (2.2%) over 2013.

Financial Analysis of the State's Funds

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of \$1.9 billion, a decrease of \$177 million from the prior year. The combined fund balance includes a deficit of \$1.3 billion in unassigned for governmental funds, including a deficit of \$916 million for the general fund and a deficit of \$414 million for the other governmental funds. The remainder of the fund balance is nonspendable, restricted, or committed based on the constraints on the specific purposes for which amounts in that fund can be spent. The remainder of the fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable (\$688 million); 2) restricted by outside parties or to pay debt service on general obligation bonds and transportation bonds from specific taxes (\$214 million); or 3) committed to legislated purposes or to liquidate contracts and purchase orders of the prior period since these amounts do not lapse at year-end but are payable from remaining appropriations from the prior year (\$2.3 billion). Included in committed fund balance is \$773 million in the "State Reserve Fund" which is set aside to meet future financial needs in circumstances that are not expected to occur routinely. By law, the Governor must appropriate to the State Reserve Fund, the general fund surplus of the second preceding fiscal year that exceeds \$10,000,000.

General Fund

The general fund is the major operating fund of the State. At the end of the current fiscal year, the unassigned fund balance deficit of the general fund was \$916 million, while total fund balance was \$1.1 billion. The fund balance of the State's general fund decreased by \$220 million during 2014, compared to an increase of \$282 million for 2013. Revenues increased by \$1.0 billion (4.1%) to \$26.5 billion while expenditures increased by \$1.5 billion (5.8%) to \$27.5 billion.

The increase in total revenue was primarily composed of \$772 million from Federal revenue, a 9.4% increase from the prior year, including \$640 million for new medical care provider reimbursement programs under the Patient Protection and Affordable Care Act. Interest and other investment income increased by \$199 million as a result of fewer investments being called due to more favorable interest rates.

General fund expenditures increased by \$1.5 billion. Expenditures for health and mental hygiene increased by \$1.2 billion (12.2%), primarily for \$795 million for increased Medicaid enrollment as a result of the Affordable Care Act.

Transfers in to the general fund were \$1.1 billion this year compared to \$1.0 billion for the prior year, consisting primarily of \$942 million and \$922 million, respectively, transferred from MLGCA. Transfers out from the general fund were \$402 million this year compared to \$160 million for the prior year. This increase was due primarily to an increase of \$109 million to the Maryland Department of Transportation – special revenue fund for a change in the allocation of corporate income tax revenue to the Department from 9.5% to 19.5%; a transfer of \$83 million to supplement revenues of the general obligation debt service fund, and an increase of \$58 million to the capital projects fund from capital appropriations (\$29 million) and transfer taxes (\$29 million).

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was \$355 million as of June 30, 2014, an increase of \$51 million compared to an increase of \$77 million in the prior fiscal year. Revenues increased by \$62 million (1.7%), expenditures increased by \$306 million (8.5%), and other sources of financial resources increased by \$219 million. The increase in revenues was primarily from an increase in motor vehicle taxes and fees of \$124 million (6.0%) as a result of an increase in motor fuel tax rates effective July 1, 2013. The increase in expenditures was primarily from an increase in capital outlays. The increase in other sources of financial resources was substantially due to an increase in bond issues made during the year (\$160 million) and the increase in transfers from the general fund referred to above.

Budgetary Highlights

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the year are summarized as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

General Fund

Overall, the change between the original and final amended general fund budget was a decrease of \$56 million, or .4%. The variance in Budget and Management, \$65 million, is primarily due to the reallocation of general fund appropriations of \$52 million for a 3% Cost of Living Adjustment effective January 1, 2014.

The difference between the final budget, \$15.7 billion, and actual expenditures, \$15.5 billion, for the general fund was \$188 million, or 1.2%. Of this amount, \$44 million was returned to the general fund, and \$144 million was encumbered for future spending. The variance within the Department of Legislative Services (\$20 million) was primarily due to encumbrances for capital items for legislative buildings. The variance for Business and Economic Development (\$12 million) was primarily attributable to encumbered funds for the Maryland Stem Cell Research Program, War of 1812 grants and advertising contracts, and biotechnology grants.

Special Fund

Overall, the change between the original and final special fund budget was an increase of \$402 million, or 5.0%. The increase was primarily for transportation capital project adjustments in cash flow and project plans (\$281 million); use of Education Trust Fund revenues for the Aid to Education Foundation program due to revised video lottery terminal revenue projections (\$35 million); and energy assistance programs (\$22 million).

The difference between the final budget, \$8.5 billion, and actual expenditures, \$7.2 billion, was \$1.3 billion, or 15.3%. The variance was primarily due to encumbrances for capital projects such as water quality systems, drinking water systems and landfill contracts (\$532 million) and reversions of transportation capital projects and debt service funds (\$244 million).

Federal Fund

The variance between the original and final federal fund budget was an increase of \$798 million (7.8%). The primary increase was to make medical care program provider payments (\$430 million) and behavioral health assistance program expenditures (\$28 million) under the Affordable Care Act. In addition, increases related to implementation of and outreach regarding the new Maryland Health Benefit Exchange were \$63 million. In public education, a new grant was recognized, Partnership for Assessment of Readiness for College and Careers (\$91 million). The federal fund variance for Human Resources recognized additional funding for increased Supplemental Nutrition Assistance Program caseloads (\$68 million) and adult assistance payments (\$27 million).

The variance between the final federal fund budget, \$11.0 billion, and actual expenditures, \$9.9 billion, was \$1.1 billion (9.9%). The variance in public education was due to encumbrances of \$279 million, including Race to the Top grants (\$105 million), and unencumbered balances of \$79 million. Transportation and Highways reverted \$89 million due to capital projects that did not use federal funds as quickly as planned, and the Military Department had prior year

encumbrances of \$43 million related to its capital projects. The variance for Human Resources was composed of reduced federal appropriations of \$81 million, primarily for the Medical Assistance and Title IV-E programs. The federal fund variance in Housing and Community Development was caused by \$62 million in encumbrances and cancelled appropriations in the homeownership, neighborhood revitalization, and rental housing and rental services programs.

Capital Assets and Debt Administration

Capital assets

At June 30, 2014, the State had invested \$26.4 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled \$1.3 billion (\$1.2 billion for governmental activities and \$125 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was \$978 million (an increase of \$690 million for governmental activities and an increase of \$288 million for business-type activities).

Capital Assets as of June 30,
(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and improvements.....	\$ 3,378	\$ 3,273	\$ 392	\$ 387	\$ 3,770	\$ 3,660
Art and historical treasures.....	22	9			22	9
Structures and improvements.....	3,627	3,675	89	41	3,716	3,716
Equipment.....	864	891	38	54	902	945
Infrastructure.....	9,426	9,359	3,586	3,558	13,012	12,917
Construction in progress.....	3,502	2,921	1,441	1,217	4,943	4,138
Total.....	\$ 20,819	\$ 20,128	\$ 5,546	\$ 5,257	\$ 26,365	\$ 25,385

Major capital asset events during the current fiscal year for governmental activities include continued widening and/or expansion of existing highways and bridges, and various transit, port and motor vehicle administration construction projects; the preservation of agricultural and open space land through the purchase of easements; veterans cemetery improvements; additions to art and historical treasure collections in State buildings; improvements to the statewide telecommunications network including One Maryland broadband wiring and high speed data network wiring; energy efficiency improvements in State buildings; waterway improvement projects for the oyster recovery program; improvements to the data warehousing system of the State Comptroller; installation of Statewide public safety radio; software developments for the Statewide personnel system and Department of Human Resources; construction in progress for a new laboratory building for the Department of Health and Mental Hygiene; and building improvements at correctional facilities. Elements of the increases in capital assets of business-type activities include the Inter-County Connector extension and electronic toll lane projects, which resulted in an increase in infrastructure, and the restoration of existing facilities.

Additional information on the State's capital assets can be found in Note 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2014, the State had outstanding bonds totaling \$16.1 billion. Of this amount, \$8.4 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining \$7.7 billion were secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds (backed by the State).....	\$ 8,362	\$ 8,006			\$ 8,362	\$ 8,006
Transportation Bonds (backed by specific revenues).....	1,813	1,618			1,813	1,618
Revenue bonds (backed by specific revenues).....			\$ 5,940	\$ 6,221	5,940	6,221
Total.....	\$ 10,175	\$ 9,624	\$ 5,940	\$ 6,221	\$ 16,115	\$ 15,845

The total increase in bonded debt in the current fiscal year was \$270 million (\$356 million increase related to general obligation bonds, \$195 million increase related to transportation bonds, and \$281 million decrease related to revenue bonds). The State's general obligation bonds are rated Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2014, the State issued general obligation debt totaling \$1.2 billion at a premium of \$150 million. Of this amount, \$237 million and related premium of \$42 million were for refunding bonds. On August 6, 2014 (fiscal year 2015), the State issued general obligation bonds aggregating \$500 million for capital improvements and general obligation refunding bonds in the amount of \$650 million.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed \$4.5 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2014, was \$2.3 billion. The actual amount in Consolidated Transportation Bonds outstanding was \$1.8 billion.

Additional information on the State's long-term debt can be found in Note 11 of this report.

Economic Factors and Next Year's Budget

The forecast of the Maryland economy by the Board of Revenue Estimates is the basis for Maryland's revenue outlook and budget growth. Employment growth of .7% and 1.2% is expected in calendar years 2014 and 2015. Additionally, growth in personal income of 3.3% and 4.0% in 2014 and 2015, respectively, is forecast. The Board also projects an estimated increase of 3.5% and 4.4% in wages and salaries during calendar years 2014 and 2015, respectively.

The Board estimates revenue growth of 5.1% for fiscal year 2015. Growth in fiscal year 2015 will be driven by increased personal income tax collections and increased revenue from taxes on internet sales as the result of the opening of Amazon's distribution center in Baltimore.

Maryland's budget is \$39.0 billion in fiscal year 2015, a 5% increase over 2014. Key provisions of the budget include:

- Retirement savings of \$172 million from capping the reinvestment of pension reform savings at \$200 million a year;
- Employee and retiree health savings of \$164 million from cost containment strategies;
- Constraining rate increases for most health/human services providers for spending reductions of \$61 million;
- Assigning an additional \$69 million in revenue from the transfer tax to the general fund in fiscal year 2015. Capital projects normally supported with these dollars will be financed with bonds in subsequent years.
- Providing cash reserves of \$837 million, including \$800 million in the Rainy Day Fund.

Restatement of Current Year Balances for New Governmental Accounting Standards

In the current fiscal year, the State implemented Statement No. 65 of the Governmental Accounting Standards Board which requires that certain items that were previously reported as assets and liabilities be reclassified as deferred outflows of resources or deferred inflows of resources, as those terms are defined in Note 2. It also requires that some items that were previously reported as assets and liabilities be recognized as expense/expenditure or revenue. The most significant reclassification was the reclassification of debt issuance costs which should be recognized as an expense in the period payment is made or accrued not only in governmental funds, but in the government-wide financial statements and the proprietary fund financial statements that use the economic resources measurement focus and accrual basis of accounting. As a result, as of July 1, 2013, deferred issuance costs of \$31 million, \$43 million and \$2 million previously reported for governmental activities, enterprise funds, and component units, respectively, were immediately expensed.

Subsequent Effect of New Governmental Accounting Standards

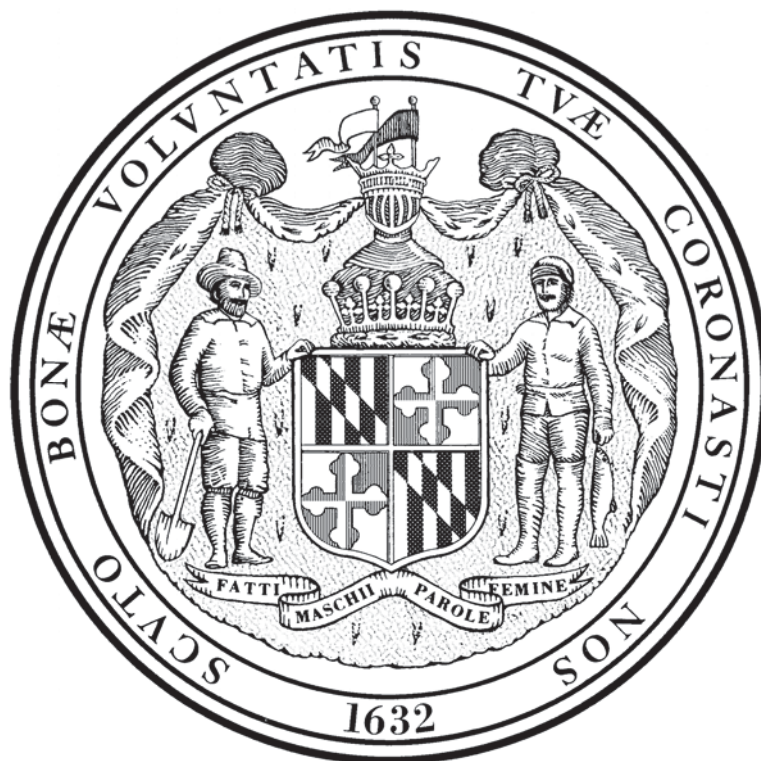
Beginning in fiscal year 2015, Statement No. 68 of the Governmental Accounting Standards Board will require changes to the State's pension accounting and reporting. The net pension liability (NPL) defined by the pronouncement, similar to the unfunded actuarial accrued liability disclosed in Note 15 in the financial statements, will be reported as a liability on the government-wide statement of net position. It is a present value measure of benefits to be provided based on the employees' past service, and accordingly, recognizes the entire net pension expense, regardless of when this expense will be funded. It will replace the net pension obligation (NPO) currently reported as a liability. The NPO is the cumulative difference between required contributions to the pension plans to meet obligations as they come due and actual contributions, and therefore, measures the funding obligation only.

For the State Retirement and Pension System, a cost-sharing multiple-employer system, all cost-sharing employers are required to recognize a liability for their proportionate share of the NPL. In Maryland, the State funds the unfunded actuarial accrued liability applicable to local teachers' service, and therefore, it is expected that the State will record the NPL for the teachers' plan as a non-employer contributing entity.

For fiscal year 2014, the State's contribution to the System was \$1.6 billion, and the total contribution to the System was \$1.7 billion. The NPL for the System was calculated as \$17.7 billion as of June 30, 2014, however, the State's share has not been calculated. The State's NPO reported as of June 30, 2014, was \$3.5 billion.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland, 21404.





Basic Financial Statements



STATE OF MARYLAND
Statement of Net Position
June 30, 2014
(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total		
Assets:					
Cash	\$ 479,708	\$ 92,950	\$ 572,658	\$ 169,465	
Equity in pooled invested cash	727,246	739,166	1,466,412	1,929,791	
Investments	367,489	564,648	932,137	918,702	
Endowment investments				264,877	
Foundation investments				1,156,746	
Inventories	112,998	15,465	128,463	11,633	
Prepaid items	575,367		575,367	10,784	
Taxes receivable, net	1,369,210		1,369,210		
Intergovernmental receivables	1,352,353		1,352,353		
Tuition contracts receivable				245,011	
Due from primary government				14,742	
Due from component units	4,134		4,134		
Other accounts receivable	749,579	69,931	819,510	361,453	
Loans and notes receivable, net	18,473	1,013,489	1,031,962	72,568	
Investment in direct financing leases		394,257	394,257	163,574	
Other assets	6,333	11,097	17,430	38,402	
Collateral for lent securities	184,486		184,486		
Restricted assets:					
Cash	48,767	1,776,701	1,825,468	120,333	
Equity in pooled invested cash	127,729	84,664	212,393		
Investments	30,798	806,587	837,385	15,076	
Taxes receivable, net	19,318		19,318		
Loans and notes receivable	1,918	2,271,297	2,273,215		
Other accounts receivable	372	307,030	307,402		
Capital assets, net of accumulated depreciation:					
Land	3,378,398	391,734	3,770,132	193,639	
Art and historical treasures	22,349		22,349		
Structures and other improvements	3,626,230	89,454	3,715,684	4,795,026	
Equipment	863,980	37,525	901,505	442,442	
Infrastructure	9,425,976	3,585,711	13,011,687	218,758	
Construction in progress	3,501,898	1,441,483	4,943,381	582,200	
Total capital assets	20,818,831	5,545,907	26,364,738	6,232,065	
Total assets	26,995,108	13,693,189	40,688,297	11,725,222	
Deferred outflows of resources					
	200,029	30,658	230,687	20,382	

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Bank overdrafts.....		\$ 9,143	\$ 9,143	
Salaries payable.....	\$ 225,303		225,303	\$ 178,519
Vouchers payable.....	946,773		946,773	
Accounts payable and accrued liabilities.....	2,031,436	407,603	2,439,039	279,260
Internal balances.....	(76,755)	76,755		
Due to primary government.....				4,134
Due to component units.....	11,093		11,093	
Accounts payable to political subdivisions.....	162,933		162,933	
Unearned revenue.....	246,089	27,724	273,813	205,445
Interest rate swaps.....		20,569	20,569	
Accrued insurance on loan losses.....		14,332	14,332	2,674
Other liabilities.....				642
Collateral obligations for lent securities.....	184,486		184,486	
Bonds and notes payable:				
Due within one year.....	810,783	276,172	1,086,955	130,454
Due in more than one year.....	10,394,145	5,663,549	16,057,694	1,466,386
Other noncurrent liabilities:				
Due within one year.....	417,270	45,485	462,755	227,632
Due in more than one year.....	9,349,111	86,701	9,435,812	919,324
Total liabilities.....	24,702,667	6,628,033	31,330,700	3,414,470
Deferred inflows of resources.....	52,078	32,635	84,713	362,356
Net Position:				
Net investment in capital assets.....	14,312,895	2,780,663	17,093,558	4,533,413
Restricted for:				
Debt service.....	207,499	168,611	376,110	7,462
Capital improvements.....		7,922	7,922	9,245
Higher education-nonexpendable.....				747,059
Higher education-expendable.....				573,641
Unemployment compensation benefits.....		1,110,871	1,110,871	
Loan programs.....		701,973	701,973	71,323
Insurance programs.....		84,664	84,664	
Other.....	6,501		6,501	
Unrestricted (deficit).....	(12,086,503)	2,208,475	(9,878,028)	2,026,635
Total net position.....	\$ 2,440,392	\$ 7,063,179	\$ 9,503,571	\$ 7,968,778

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2014
(Expressed in Thousands)

Functions/Programs	Program Revenues					Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government			Component Units
			Contributions	Grants and Contributions		Governmental Activities	Business-type Activities	Total	
Primary government -									
Governmental activities:									
General government.....	\$ 832,041	\$ 577,929	\$ 71,282	\$ 16,313	\$	(166,518)	\$	(166,518)	
Health and mental hygiene.....	11,078,408	1,445,746	5,442,633			(4,190,029)		(4,190,029)	
Education.....	7,970,236	66,309	1,020,140			(6,883,787)		(6,883,787)	
Aid for higher education.....	2,042,523	23,421	2,112			(2,016,990)		(2,016,990)	
Human resources.....	2,584,755	63,954	1,820,026			(700,774)		(700,774)	
Public safety.....	2,101,314	105,184	103,338	8,080		(1,884,713)		(1,884,713)	
Transportation.....	3,504,411	582,332	90,574	800,019		(2,031,486)		(2,031,486)	
Judicial.....	662,086	313,598	8,216			(340,272)		(340,272)	
Labor, licensing and regulation.....	333,701	40,936	168,630			(124,135)		(124,135)	
Natural resources and recreation.....	213,004	52,903	26,011	2,086		(132,004)		(132,004)	
Housing and community development.....	294,408	2,866	260,379			(31,163)		(31,163)	
Environment.....	102,712	35,239	23,465			(44,008)		(44,008)	
Agriculture.....	97,770	13,626	3,829			(80,316)		(80,316)	
Business and economic development.....	105,177	13,087	4,145			(87,945)		(87,945)	
Intergovernmental grants and revenue sharing.....	541,034					(541,034)		(541,034)	
Interest.....	515,633	1,456	11,406			(502,772)		(502,772)	
Total governmental activities.....	32,979,215	3,338,586	9,056,184	826,498		(19,757,947)		(19,757,947)	
Business-type activities:									
Economic development - insurance programs.....	4,534	3,689	879				34	34	
Economic development - general loan programs.....	32,176	8,775					(23,401)	(23,401)	
Economic development - water quality loan programs.....	174,566	148,386	44,795				18,615	18,615	
Economic development - housing loan programs.....	202,818	143,285	33,610				(25,923)	(25,923)	
Unemployment insurance program.....	925,005	658,998	221,362				(44,645)	(44,645)	
Maryland Lottery and Gaming Control Agency.....	1,701,020	2,645,960					944,940	944,940	
Maryland Transportation Authority.....	469,606	804,642	1,436				336,472	336,472	
Maryland Correctional Enterprises.....	50,767	51,800					1,033	1,033	
Total business-type activities.....	3,560,492	4,465,535	302,082				1,207,125	1,207,125	
Total primary government.....	\$ 36,539,707	\$ 7,804,121	\$ 9,358,266	\$ 826,498		\$ (19,757,947)	\$ 1,207,125	\$ (18,550,822)	

Component Units-								
Higher Education	\$	4,925,082	\$	2,242,555	\$	1,397,319	\$	219,165
Maryland Prepaid College Trust		63,588		57,153				(6,435)
Other component units		216,370		160,214		58,778		2,622
Total component units	\$	5,205,040	\$	2,459,922	\$	1,456,097	\$	(1,069,856)

General Revenues:		
Income taxes.....	8,803,951	8,803,951
Sales and use taxes.....	4,199,862	4,199,862
Motor vehicle taxes.....	2,196,805	2,196,805
Tobacco taxes.....	402,403	402,403
Insurance company taxes.....	475,294	475,294
Property taxes.....	972,947	972,947
Estate & inheritance taxes.....	238,276	238,276
Other taxes.....	313,473	313,473
Grants and contribution not restricted to specific programs.....		
Unrestricted investment earnings.....	212,533	216,705
Additions to permanent endowments.....		
Transfers.....	883,656	(883,656)
Total general revenues, additions to permanent endowments, and transfers.....	18,699,201	17,819,717
Changes in net position.....	(1,058,746)	(731,105)
Net position, beginning of the year, as restated.....	3,499,138	10,234,676
Net position, end of the year.....	\$ 2,440,392	\$ 9,503,571
		\$ 7,968,778

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2014
(Expressed in Thousands)

		Special Revenue		
		Maryland	Other	Total
	General	Department of	Governmental	Governmental
		Transportation	Funds	Funds
Assets:				
Cash	\$ 479,708			\$ 479,708
Equity in pooled invested cash	443,632	\$ 257,909	\$ 25,705	727,246
Investments			367,489	367,489
Prepaid items	449,860	107,891		557,751
Taxes receivable, net	1,246,888	122,322		1,369,210
Intergovernmental receivables	1,056,178	292,166		1,348,344
Other accounts receivable	703,574	46,005		749,579
Due from other funds	79,465	140,781	1,533	221,779
Due from component units	4,134			4,134
Inventories	28,018	84,980		112,998
Loans and notes receivable, net	18,473			18,473
Collateral for lent securities	184,486			184,486
Restricted assets:				
Cash		12,384		12,384
Cash with fiscal agent			36,383	36,383
Equity in pooled invested cash			127,729	127,729
Investments	9,019		21,779	30,798
Taxes receivable, net			19,318	19,318
Other accounts receivable			372	372
Loans and notes receivable, net			1,918	1,918
Total assets	\$ 4,703,435	\$ 1,064,438	\$ 602,226	\$ 6,370,099
Liabilities:				
Salaries payable	\$ 194,859	\$ 30,444		\$ 225,303
Vouchers payable	765,462	102,993	\$ 78,320	946,775
Accounts payable and accrued liabilities	944,181	349,928	29,536	1,323,645
Due to other funds	649,997	6,127	38,900	695,024
Due to component units	11,093			11,093
Accounts payable to political subdivisions	78,911	50,824	33,198	162,933
Unearned revenue	94,274	49,373		143,647
Accrued self-insurance costs	122,586			122,586
Collateral obligations for lent securities	184,486			184,486
Total liabilities	3,045,849	589,689	179,954	3,815,492
Deferred inflows of resources	518,261	119,610		637,871
Fund balances:				
Nonspendable	495,542	192,871		688,413
Restricted	6,501		207,499	214,000
Committed	1,553,584	162,268	628,816	2,344,668
Unassigned	(916,302)		(414,043)	(1,330,345)
Total fund balances	1,139,325	355,139	422,272	1,916,736
Total liabilities, deferred inflows of resources and fund balances	\$ 4,703,435	\$ 1,064,438	\$ 602,226	\$ 6,370,099

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance
to the Statement of Net Position, Net Position Balance
June 30, 2014

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Assets (pages 26-27)

differ from the amounts for the governmental funds' fund balances because of:

Amount in governmental funds, fund balance (page 30).....	\$ 1,916,736
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	20,818,831
Taxes and other receivables that will not be available to pay for current period expenditures and, therefore, are deferred in the funds.....	637,871
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds.....	(260,234)
Other long-term assets not available to pay for current period expenditures.....	27,958
Deferred outflows of resources not recognized as current period expenditures.....	200,029
Deferred inflows of resources not recognized as current period revenues.....	(52,077)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
General Obligation Bonds.....	(8,362,347)
Premiums to be amortized over the life of the debt.....	(893,743)
Transportation Bonds.....	(1,812,670)
Premiums to be amortized over the life of the debt.....	(136,167)
Accrued self-insurance costs.....	(233,360)
Accrued annual leave.....	(392,121)
Pension liabilities.....	(3,530,441)
Other post-employment benefits liability.....	(4,231,742)
Pollution remediation.....	(170,864)
Obligation under capital leases.....	(915,393)
Obligations under capital leases with component units.....	(163,575)
Agricultural land preservation installment obligations.....	(6,299)

Net Position of governmental activities (pages 26 and 27).....	\$ 2,440,392
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The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances,
Governmental Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes.....	\$ 8,743,986			\$ 8,743,986
Sales and use taxes.....	4,196,314			4,196,314
Motor vehicle taxes.....		\$ 2,196,805		2,196,805
Tobacco taxes.....	402,403			402,403
Insurance company taxes.....	475,294			475,294
Property taxes.....	249,105		\$ 723,842	972,947
Estate & inheritance taxes.....	238,276			238,276
Other taxes.....	313,474			313,474
Other licenses and fees.....	607,785			607,785
Charges for services.....	1,740,718	563,587		2,304,305
Interest and other investment income.....	106,866	2,154	1,587	110,607
Federal revenue.....	8,983,031	902,719	11,464	9,897,214
Other.....	396,472	12,534	3,176	412,182
Total revenues.....	26,453,724	3,677,799	740,069	30,871,592
Expenditures:				
Current:				
General government.....	831,505			831,505
Health and mental hygiene.....	11,160,187			11,160,187
Education.....	7,256,576		338,094	7,594,670
Aid to higher education.....	1,750,919		291,256	2,042,175
Human resources.....	2,542,075			2,542,075
Public safety.....	1,888,200			1,888,200
Transportation.....		1,793,001		1,793,001
Judicial.....	638,115			638,115
Labor, licensing and regulation.....	319,814			319,814
Natural resources and recreation.....	186,486			186,486
Housing and community development.....	292,494			292,494
Environment.....	96,901			96,901
Agriculture.....	87,110			87,110
Business and economic development.....	103,253			103,253
Intergovernmental grants and revenue sharing.....	355,307	649,443	185,727	1,190,477
Capital outlays.....		1,471,040	127,418	1,598,458
Debt service:				
Principal retirement.....			744,599	744,599
Interest.....			434,811	434,811
Bond issuance costs.....	631	609	3,596	4,836
Total expenditures.....	27,509,573	3,914,093	2,125,501	33,549,167
Excess (Deficiency) of revenues over (under) expenditures.....	(1,055,849)	(236,294)	(1,385,432)	(2,677,575)
Other financing sources (uses):				
Capital leases.....	167,717	2,519		170,236
Bonds issued.....		325,000	979,552	1,304,552
Refunding bonds issued.....			236,852	236,852
Bond premium.....		20,568	163,185	183,753
Payments to refunded bond escrow agent.....			(278,876)	(278,876)
Transfers in.....	1,069,971	210,282	379,407	1,659,660
Transfers out.....	(401,750)	(270,669)	(103,051)	(775,470)
Total other sources (uses) of financial resources.....	835,938	287,700	1,377,069	2,500,707
Net changes in fund balances.....	(219,911)	51,406	(8,363)	(176,868)
Fund balances, beginning of the year.....	1,359,236	303,733	430,635	2,093,604
Fund balances, end of the year.....	\$ 1,139,325	\$ 355,139	\$ 422,272	\$ 1,916,736

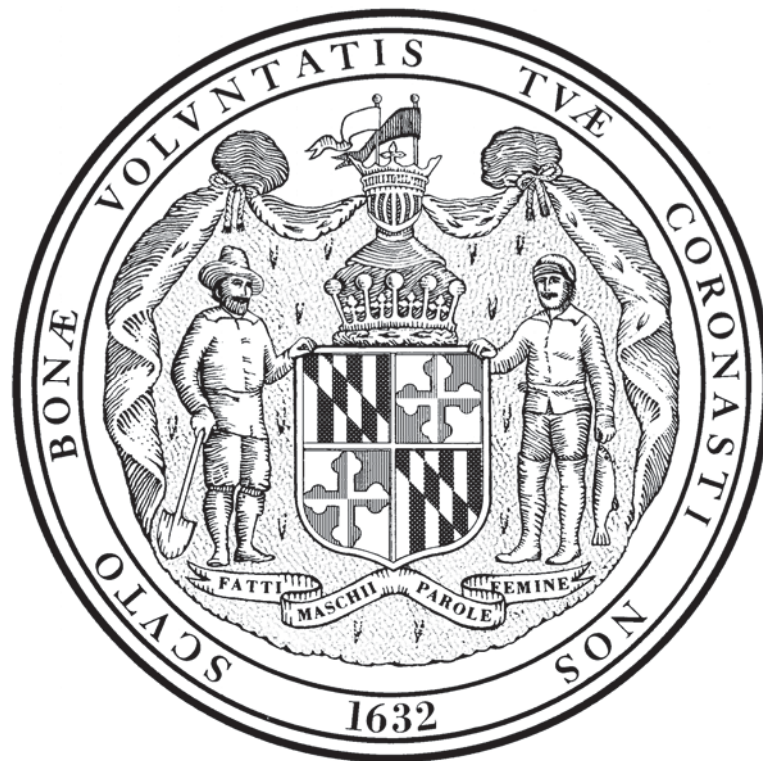
The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Activities (pages 28-29) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds because of the following:			
Net change in fund balances - total governmental funds (page 32)		\$	(176,868)
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.			
Capital outlays	\$	1,861,904	
Depreciation expense		(1,155,152)	706,752
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.			
Net loss on disposals and trade-ins			(16,396)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:			
Deferred inflows of resources for taxes are recognized			
net of revenue already recognized in the prior year		65,777	
Deferred inflows of resources for other revenues are recognized,			
net of revenue already recognized in the prior year		(9,564)	
Revenues from other assets are recognized,			
net of revenue already recognized in the prior year		(4,632)	51,581
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.			
Debt issued, General Obligation Bonds		(968,716)	
Debt issued, Transportation Bonds		(325,000)	
Capital lease financing		(170,236)	
Premiums, discounts and deferred outflows of resources on refundings		(68,353)	
Principal repayments:			
General Obligation Bonds		613,979	
Transportation Bonds		130,620	
Capital leases		44,367	(743,339)
Some expenses reported in the Statement of Activities (net of expenses already recognized in the prior year) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:			
Accrued interest		(7,171)	
Compensated absences		(43,095)	
Self-insurance		(5,296)	
Net pension obligation		(597,972)	
Other post-employment benefits liability		(223,741)	
Pollution remediation liabilities		3,098	
Agricultural Land Preservation obligations		(6,299)	(880,476)
Change in net position of governmental activities (page 29)		\$	(1,058,746)

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND
ENTERPRISE FUND FINANCIAL STATEMENTS

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net position of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland Lottery and Gaming Control Agency

This fund accounts for the operation of the State Lottery and the regulation of the operation of the Video Lottery Terminal and table game casinos.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-major Funds

Other Enterprise Funds

Individual non-major enterprise funds are presented in the combining section following the footnotes.

STATE OF MARYLAND
Statement of Fund Net Position
Enterprise Funds
June 30, 2014

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets-						
Current assets:						
Cash			\$ 2,524	\$ 90,426		\$ 92,950
Equity in pooled invested cash	\$ 621,934		99,783		\$ 17,449	739,166
Investments	3,223			486,630		489,853
Other accounts receivable	12,094		30,612	23,450	3,775	69,931
Due from other funds	65,415	\$ 2,507		3,684		71,606
Inventories				5,206	10,259	15,465
Loans and notes receivable, net	43,712				182	43,894
Investment in direct financing leases				25,299		25,299
Other assets			54	1,110	543	1,707
Current restricted assets:						
Cash	507,590	2,069	46,569	247,582		803,810
Cash on deposit with U.S. Treasury		972,891				972,891
Equity in pooled invested cash					84,664	84,664
Investments	111,534		10,800			122,334
Loans and notes receivable, net	104,397					104,397
Other accounts receivable	120,324	186,701				307,025
Total current assets	1,590,223	1,164,168	190,342	883,387	116,872	3,944,992
Non-current assets:						
Investments	72,811				1,984	74,795
Loans and notes receivable, net	969,425				170	969,595
Investment in direct financing leases				368,958		368,958
Other assets				9,390		9,390
Restricted non-current assets:						
Investments	445,023		36,251	202,979		684,253
Loans and notes receivable, net	2,166,900					2,166,900
Other accounts receivable	5					5
Capital assets, net of accumulated depreciation:						
Land				391,734		391,734
Structures and improvements				86,684	2,770	89,454
Equipment	36		10,526	22,822	4,141	37,525
Infrastructure				3,585,690	21	3,585,711
Construction in progress				1,441,483		1,441,483
Total non-current assets	3,654,200		46,777	6,109,740	9,086	9,819,803
Total assets	5,244,423	1,164,168	237,119	6,993,127	125,958	13,764,795
Deferred outflows of resources	20,569			10,089		30,658

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Bank overdrafts		\$ 9,143			\$	9,143
Accounts payable and accrued liabilities	\$ 83,411	44,154	\$ 89,827	\$ 187,916	\$ 2,295	407,603
Due to other funds	438		76,584	71,339		148,361
Accrued insurance on loan losses	1,873				12,459	14,332
Other liabilities	9,807		20,400	13,995	1,283	45,485
Unearned revenue	23		2,480	23,488	1,733	27,724
Revenue bonds and notes payable – current	157,997			118,175		276,172
Total current liabilities	253,549	53,297	189,291	414,913	17,770	928,820
Non-current liabilities:						
Interest rate swaps	20,569					20,569
Other liabilities	21,446		39,648	22,893	2,714	86,701
Revenue bonds and notes payable	2,539,193			3,124,356		5,663,549
Total non-current liabilities	2,581,208		39,648	3,147,249	2,714	5,770,819
Total liabilities	2,834,757	53,297	228,939	3,562,162	20,484	6,699,639
Deferred inflows of resources				32,635		32,635
Net Position-						
Net investment in capital assets	36		(6,955)	2,780,650	6,932	2,780,663
Restricted for:						
Debt service				168,611		168,611
Capital improvements				7,922		7,922
Unemployment compensation benefits		1,110,871				1,110,871
Loan programs	701,973					701,973
Insurance programs					84,664	84,664
Unrestricted	1,728,226		15,135	451,236	13,878	2,208,475
Total net position	\$ 2,430,235	\$ 1,110,871	\$ 8,180	\$ 3,408,419	\$ 105,474	\$ 7,063,179

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales.....			\$ 1,723,991			\$ 1,723,991
Charges for services and sales.....	\$ 139,043	\$ 658,998	837,285	\$ 802,030	\$ 54,905	2,492,261
Loan and grant recoveries.....	1,305					1,305
Unrestricted interest on loan income.....	16,679				523	17,202
Restricted interest on loan income.....	113,045					113,045
Other.....	9,555		84,684	2,612	61	96,912
Total operating revenues.....	279,627	658,998	2,645,960	804,642	55,489	4,444,716
Operating expenses:						
Prizes and claims.....			1,022,034			1,022,034
Commissions and bonuses.....			528,337			528,337
Cost of sales and services.....			28,712		41,172	69,884
Operation and maintenance of facilities.....				224,004		224,004
General and administrative.....	49,581		106,192	35,191	12,038	203,002
Benefit payments.....		925,005				925,005
Capital grant distributions.....	178,472					178,472
Depreciation and amortization.....	4		13,301	110,085	1,259	124,649
Provision for insurance on loan losses.....	35,067				821	35,888
Other.....	36,175					36,175
Total operating expenses.....	299,299	925,005	1,698,576	369,280	55,290	3,347,450
Operating income (loss).....	(19,672)	(266,007)	947,384	435,362	199	1,097,266
Non-operating revenues (expenses):						
Unrestricted interest and other investment income ..	832			3,340		4,172
Restricted interest and other investment income	33,808	22,079	(1,877)	1,436	879	56,325
Interest expense.....	(107,389)		(567)	(91,668)		(199,624)
Federal grants and distributions.....	44,597	199,283				243,880
Other.....	17,947			(8,658)	(11)	9,278
Total non-operating revenues (expenses).....	(10,205)	221,362	(2,444)	(95,550)	868	114,031
Income (loss) before capital contributions and transfers.....	(29,877)	(44,645)	944,940	339,812	1,067	1,211,297
Capital contributions.....					534	534
Transfers in.....	60,630					60,630
Transfers out.....	(512)		(941,738)		(2,570)	(944,820)
Change in net position.....	30,241	(44,645)	3,202	339,812	(969)	327,641
Total net position – beginning, as restated.....	2,399,994	1,155,516	4,978	3,068,607	106,443	6,735,538
Total net position – ending.....	\$ 2,430,235	\$ 1,110,871	\$ 8,180	\$ 3,408,419	\$ 105,474	\$ 7,063,179

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers.....	\$ 491,836	\$ 700,414	\$ 2,629,020	\$ 798,574	\$ 55,696	\$ 4,675,540
Payments to suppliers.....	(2,237)		(116,111)	(106,192)	(34,161)	(258,701)
Payments to employees.....	(17,314)		(19,720)	(132,802)	(18,396)	(188,232)
Program loan disbursements.....	(270,731)					(270,731)
Other receipts.....	141,221			87,405	7,550	236,176
Other payments.....	(252,485)	(943,782)	(531,414)	(48,177)	(9,228)	(1,785,086)
Lottery prize payments.....			(1,022,642)			(1,022,642)
Net cash from operating activities.....	90,290	(243,368)	939,133	598,808	1,461	1,386,324
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds.....	399,267					399,267
Payment on revenue bonds.....	(551,502)			(33,960)		(585,462)
Interest payments.....	(115,465)			(21,901)		(137,366)
Proceeds from InvestMD tax credits.....	27,480					27,480
Proceeds from loans.....		9,143				9,143
Transfers in.....	46,892					46,892
Transfers out.....	(512)		(939,654)		(2,570)	(942,736)
Grants.....	54,116	199,283				253,399
Lottery installment payments.....			(13,844)			(13,844)
Net cash from non-capital financing activities.....	(139,724)	208,426	(953,498)	(55,861)	(2,570)	(943,227)
Cash flows from capital and related financing activities:						
Capital contributed.....					534	534
Principal paid on notes payable and revenue bonds.....				(90,330)		(90,330)
Interest payments.....			(567)	(99,316)		(99,883)
Proceeds from sales of capital assets.....				1,341	454	1,795
Acquisition of capital assets.....	(25)			(421,812)	(1,811)	(423,648)
Payment of capital lease obligations.....			(13,543)			(13,543)
Net cash provided from capital & related financing activities.....	(25)		(14,110)	(610,117)	(823)	(625,075)
Cash flows from investing activities:						
Purchase of investments.....	(320,987)		(726)	(610,166)		(931,879)
Proceeds from maturity and sale of investments.....	440,635		13,844	721,362		1,175,841
Interest on investments.....	17,667	22,078		5,402	879	46,026
Net cash provided by investing activities.....	137,315	22,078	13,118	116,598	879	289,988
Net change in cash and cash equivalents	87,856	(12,864)	(15,357)	49,428	(1,053)	108,010
Balance - beginning of the year.....	1,041,668	987,824	164,233	288,580	103,166	2,585,471
Balance - end of the year.....	\$ 1,129,524	\$ 974,960	\$ 148,876	\$ 338,008	\$ 102,113	\$ 2,693,481

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2014

(Continued)

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss).....	\$ (19,672)	\$ (266,007)	\$ 947,384	\$ 435,362	\$ 199	\$ 1,097,266
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization.....	4		13,301	110,085	1,259	124,649
Deferred prize payment.....			726			726
Effect of changes in assets and liabilities:						
Other accounts receivable.....	(9,731)	41,651	14,139	(4,608)	1,014	42,465
Due from other funds.....	(2,313)	(236)		753	373	(1,423)
Inventories.....				(18)	204	186
Loans and notes receivable.....	88,776			4,787	26	93,589
Other assets.....			(10)	203	2,296	2,489
Investments.....	350					350
Accounts payable and accrued liabilities.....	5,961	(18,776)	(36,953)	15,773	(1,491)	(35,486)
Due to other funds.....	(2,497)			1,062		(1,435)
Accrued insurance on loan losses.....	24,618				(2,228)	22,390
Other liabilities.....	4,789		429	4,243	57	9,518
Deferred inflows of resources.....				29,635		29,635
Unearned revenue.....	5		117	1,531	(248)	1,405
Total adjustments.....	109,962	22,639	(8,251)	163,446	1,262	289,058
Net cash provided (used) by operating activities.....	\$ 90,290	\$ (243,368)	\$ 939,133	\$ 598,808	\$ 1,461	\$ 1,386,324
Noncash transactions (amounts expressed in thousands):						
Unrealized gain(loss) on investments.....	\$ 3,794		\$ (1,877)			
Accreted bond interest.....				\$ 353		
Capitalized interest added to loans receivable.....	42					
Loans converted to investments.....	2,531					
Additions to capital assets.....				29,721		

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund	Agency Funds
Assets:				
Cash	\$ 2,064,158		\$ 5	\$ 71,944
Equity in pooled invested cash	2,560			968,869
Investments:				
U.S. Treasury and agency obligations	2,686,426	\$ 2,123,851	25,839	
Repurchase agreements		247,619		
Bonds	5,387,182		38,256	
Corporate equity securities	13,128,321		179,558	
Commercial paper		282,331		
Mortgage related securities	1,935,662			
Mutual fund	4,263,315	468,305		
Guaranteed investment contracts	797,323			
Real estate	2,340,852		27,940	
Annuity contracts	90,369			
Private equity	3,184,976			
Commingled funds	10,909,184			
Securities lent with cash collateral	2,434,347			
Total investments	47,157,957	3,122,106	271,593	
Taxes receivable, net				180,929
Intergovernmental receivables				116
Other receivables	892,679	386		
Accounts receivable from state treasury				550,000
Collateral for lent securities	2,490,916			
Total assets	52,608,270	3,122,492	271,598	1,771,858
Liabilities:				
Accounts payable and accrued liabilities	1,346,341	204		146,092
Accounts payable to political subdivisions				1,625,766
Collateral obligation for lent securities	2,490,916			
Total liabilities	3,837,257	204		1,771,858
Net position:				
Held in trust for:				
Pension benefits	45,563,680			
Deferred compensation benefits	3,207,333			
Local Government Investment Pool participants		3,122,288		
Postretirement health benefits			271,598	
Total net position	\$ 48,771,013	\$ 3,122,288	\$ 271,598	\$ -

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund
Additions:			
Contributions:			
Employers	\$ 1,058,468		\$ 402,794
Members	870,985	\$ 5,869,926	
Sponsors	714,974		
Total contributions	2,644,427	5,869,926	402,794
Investment earnings:			
Net increase in fair value of investments	4,666,857		40,471
Interest	629,998	2,704	109
Dividends	1,259,615		
Total investment earnings	6,556,470	2,704	40,580
Less: investment expense	329,599	876	121
Net investment earnings	6,226,871	1,828	40,459
Total additions	8,871,298	5,871,754	443,253
Deductions:			
Benefit payments	3,337,226		402,794
Distributions to participants		1,827	
Redemptions (unit transactions at \$1.00 per unit)		5,571,876	
Refunds	42,922		
Administrative expenses	32,361		
Total deductions	3,412,509	5,573,703	402,794
Change in net position	5,458,789	298,051	40,459
Net position - beginning	43,312,224	2,824,237	231,139
Net position - ending	\$ 48,771,013	\$ 3,122,288	\$ 271,598

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Non-major Component Units

Other Component Units

Non-major component units are presented individually in the combining section following the footnotes.

STATE OF MARYLAND
Combining Statement of Net Position
Component Units
June 30, 2014
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Other Component Units	Total
Assets:				
Cash	\$ 87,198	\$ 28,888	\$ 53,379	\$ 169,465
Equity in pooled invested cash	1,865,359	234	64,198	1,929,791
Investments	8,115	895,290	15,297	918,702
Endowment investments	264,877			264,877
Foundation investments	1,156,746			1,156,746
Tuition contracts receivable	67,273	177,738		245,011
Other accounts receivable	332,945	1,684	26,824	361,453
Due from primary government			14,742	14,742
Inventories	11,633			11,633
Prepaid items	10,784			10,784
Loans and notes receivable, net	67,494		5,074	72,568
Investments in direct financing leases			163,574	163,574
Other assets	31,609		6,793	38,402
Restricted assets:				
Cash	120,157		176	120,333
Investments	4,743		10,333	15,076
Capital assets (net of accumulated depreciation):				
Land	185,806		7,833	193,639
Structures and improvements	4,643,274		151,752	4,795,026
Infrastructure	218,518		240	218,758
Equipment	424,977	62	17,403	442,442
Construction in progress	581,081		1,119	582,200
Total assets	10,082,589	1,103,896	538,737	11,725,222
Deferred outflows of resources	20,382			20,382
Liabilities:				
Salaries payable	178,519			178,519
Accounts payable and accrued liabilities	217,551	5,393	56,316	279,260
Due to primary government	734		3,400	4,134
Unearned revenue	187,182	14,458	3,805	205,445
Accrued insurance on loan losses			2,674	2,674
Other liabilities	411		231	642
Bonds and notes payable:				
Due within one year	94,079		36,375	130,454
Due in more than one year	1,277,429		188,957	1,466,386
Other noncurrent liabilities:				
Due within one year	109,343	79,579	38,710	227,632
Due in more than one year	209,068	677,160	33,096	919,324
Total liabilities	2,274,316	776,590	363,564	3,414,470
Deferred inflows of resources	362,356			362,356

	Higher Education	Maryland Prepaid College Trust	Other Component Units	Total
Net position:				
Net investment in capital assets	\$ 4,418,821	\$ 62	\$ 114,530	\$ 4,533,413
Restricted:				
Debt service.....			2,838	2,838
Capital improvements and deposits.....		2,577	840	3,417
Nonexpendable:				
Scholarships and fellowships.....	324,891			324,891
Research.....	10,164			10,164
Other.....	412,004			412,004
Expendable:				
Debt service.....	4,624			4,624
Capital projects.....	5,828			5,828
Loans and notes receivable.....	71,323			71,323
Scholarships and fellowships.....	159,067			159,067
Research.....	110,390			110,390
Other.....	304,184			304,184
Unrestricted.....	1,645,003	324,667	56,965	2,026,635
Total net position	\$ 7,466,299	\$ 327,306	\$ 175,173	\$ 7,968,778

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Other Component Units	Total
Expenses:				
General and administrative.....		\$ 2,497	\$ 25,610	\$ 28,107
Operation and maintenance of facilities.....	\$ 375,262		125,450	500,712
Provision for insurance on loan losses, net.....			85	85
Instruction.....	1,278,622			1,278,622
Research.....	951,285			951,285
Public service.....	154,561			154,561
Academic support.....	454,964			454,964
Student services.....	230,866			230,866
Institutional support.....	472,273			472,273
Scholarships and fellowships.....	122,585			122,585
Tuition benefits.....		61,034		61,034
Auxiliary.....	574,366			574,366
Hospitals.....	179,792			179,792
Interest on long-term debt.....	50,195		10,118	60,313
Depreciation and amortization.....		46	21,631	21,677
Foundation expenses.....	80,261			80,261
Other.....	50	11	33,476	33,537
Total expenses.....	4,925,082	63,588	216,370	5,205,040
Program revenues:				
Charges for services:				
Student tuition and fees (net of \$288,968 in allowances).....	1,238,979			1,238,979
Auxiliary enterprises (net of \$35,156 in allowances).....	631,358			631,358
Other.....	372,218	57,153	160,214	589,585
Total charges for services.....	2,242,555	57,153	160,214	2,459,922
Operating grants and contributions.....	1,397,319		58,778	1,456,097
Capital grants and contributions.....	219,165			219,165
Total program revenues.....	3,859,039	57,153	218,992	4,135,184
Net program revenue (expense).....	(1,066,043)	(6,435)	2,622	(1,069,856)
General revenues:				
Grants and contributions not restricted to specific programs.....	1,269,287			1,269,287
Unrestricted investment earnings.....	73,917	141,848	717	216,482
Additions to permanent endowments.....	41,331			41,331
Total general revenues and additions to permanent endowments.....	1,384,535	141,848	717	1,527,100
Change in net position.....	318,492	135,413	3,339	457,244
Net position - beginning of the year, as restated.....	7,147,807	191,893	171,834	7,511,534
Net position - end of the year.....	\$ 7,466,299	\$ 327,306	\$ 175,173	\$ 7,968,778

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
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For the Year Ended June 30, 2014

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STATE OF MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

The discretely presented component units are those entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

The non-major component units are comprised of the following proprietary fund type entities:

Maryland Stadium Authority (Proprietary Fund Type) – The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor. The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals, and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. MIDFA consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee; the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (Corporation) was established as a body corporate and politic and a public instrumentality of the State. The Corporation's Board of Directors consists of 15 individuals; the Secretary of the Department of Business and Economic Development and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. The Corporation was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities, and to assist in the commercialization of technology developed in the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

Complete financial statements of the individual component units and the Maryland Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations

The Maryland Economic Development Corporation (MEDCO), Injured Worker's Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2014, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling \$14,033,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. Inter-fund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds) financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when

earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and business and economic development. Resources obtained from federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are committed for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations. Revenue sources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, federal grants for transportation purposes and other receipts of the Department's agencies.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows:

1. The Economic Development Loan Programs include the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.
2. The Unemployment Insurance Program reflects the transactions and account balances of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.
3. The Maryland Lottery and Gaming Control Agency operates the State Lottery and regulates the operation of video lottery terminal (VLT) and table game casinos.
4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds:

1. The Pension and Other Employee Benefits Trust Fund (Pension Trust Fund) includes the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Pension Trust Fund reflects the transactions and accounts balances of the plans administered by the State and is accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.
2. The Investment Trust Fund reflects the transactions and account balances of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.
3. The Postretirement Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions and account balances are accounted for using the flow of economic resources measurement focus. The assets of the Pension OPEB Trusts are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.
4. The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employee's payroll.

D. Change in Accounting Principles and Restatement of Beginning Balances

As of July 1, 2013, the State implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expense/expenditure) or inflows of resources (revenue), certain items that were previously reported as assets and liabilities.

The State has restated beginning net position as follows (amounts expressed in thousands):

	Governmental Activities	Economic Development Loans	Maryland Transportation Authority	Higher Education	Maryland Stadium Authority
Beginning net position, as previously stated.	\$3,529,761	\$2,425,825	\$3,083,318	\$7,148,482	\$ 76,917
Less: Deferred bond issuance costs reported as expense	30,623	27,864	14,711	675	1,133
Add: Deferred loan fees reported as revenue	_____	2,033	_____	_____	_____
Beginning net position, as restated.	\$3,499,138	\$2,399,994	\$3,068,607	\$7,147,807	\$ 75,784

As of July 1, 2013, the unamortized loss on bond refundings which reduced the carrying value applicable to long-term debt on State projects has been reclassified as deferred outflows of financial resources. As a result, the net position category, net investment in capital assets, has been reduced and unrestricted net position has been increased by \$99,457,000, for the governmental activities as of July 1, 2013.

In addition, balances of bonds and notes payable have been restated on the statement of net position as follows (amounts expressed in thousands):

	Governmental Activities	Economic Development Loans	Maryland Transportation Authority	Higher Education
Beginning balance of bonds and notes payable, as previously stated.....	\$ 10,387,429	\$2,855,297	\$3,365,575	\$1,274,183
Add: Deferred losses from the refunding of debt, restated as deferred outflows of resources.....	200,090	629	11,423	23,651
Beginning balance of bonds and notes payable, as restated.....	\$ 10,587,519	\$2,855,926	\$3,376,998	\$1,297,834

E. New Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued in January 2013, effective for periods beginning after December 15, 2013. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, issued in November 2013, should be applied simultaneously with the provisions of Statement No. 68. The State will implement these statements as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, Statement No. 68 is expected to affect the financial position of the State as described below.

The net pension liability (NPL), as established by actuarial valuations under methods and assumptions required by Statement No. 68, will replace the unfunded actuarial accrued liability previously disclosed for the State Retirement and Pension System (System) and the Maryland Transit Administration Pension Plan. Refer to the unfunded liability in Note 15 to the financial statements. The NPL is a present value measure of benefits to be provided to current active and inactive employees that is attributed to those employees' past service, less the amount of the fiduciaries' net position. It is required to be reported as a liability on the government-wide statement of net position. It replaces the net pension obligation, which is the cumulative difference between annual required contributions to the pension plans, as adjusted, to meet pension obligations as they come due and actual contributions, on the statement of net position.

Cost-sharing employers, including the governmental activities, enterprise funds, and component units, are required to recognize a liability for their proportionate share of the NPL. In addition, a special funding situation exists when a non-employer entity is legally responsible for making contributions to a pension plan for the benefit of employees of another entity and results in the non-employer entity recording an NPL. In Maryland, the State contributes to amortization of the unfunded actuarial accrued liability applicable to local teachers' service and a diminishing percentage of current service, or normal, costs. Because the State funds the liability, it will record the NPL for the local teachers' plan. For fiscal year 2014, the State's contribution to the System as reported in Note 15 was \$1,592,376,000, and the total contribution to the System was \$1,733,653,000. The NPL for the System as reported in Note 15 was \$17,746,731,000; however, the State has not calculated its share of the NPL as of June 30, 2014.

2. Summary of Significant Accounting Policies - Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity:

A. All Funds:

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempt from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements, and must be delivered to the State Treasurer's custodian for safekeeping. Investments are recorded at fair value, and changes in fair value are recognized as revenue. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded. Money market mutual funds and the Maryland Local Government Investment Pool are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Their fair values are based on a share price of \$1.00 per share. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pension Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in non-dividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors would include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity – direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Postretirement Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on a basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Fair value for real estate investments is based on estimated current values and independent appraisals. Fair value for private equity investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers.

State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are valued at cost plus interest credited which approximates fair market value for fixed earnings investment contract pools and at fair value based on published quotations at each December 31, or net asset value as provided by the investment custodian, for variable earnings investments.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems (see Note 15). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State (see Note 16). Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-75
Building improvements	5-75
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-75

Deferred Outflows and Deferred Inflows of Resources:

Deferred outflows of resources are consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are presented separately after "Total Assets" in the State's financial statements.

Deferred inflows of resources are acquisition of net position that applies to future reporting periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are presented separately after “Total Liabilities” in the State’s financial statements.

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances costs are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Net Position:

Net position is divided into three categories. Net investment in capital assets is the capital assets less accumulated depreciation and outstanding principal of the related debt. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt also are included in this category. Restricted net position reflects restrictions on assets and deferred outflows imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net position is total net position of the State less net investment in capital assets and restricted net position. Unrestricted net position is comprised mainly of cash, investments, loans and receivables.

B. Government Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The State considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records unearned revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2014 was 11.2¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

Fund balance for governmental funds is reported in categories and classifications that are presented in order of constraints on the specific purposes for which amounts in that fund can be spent. The nonspendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Otherwise, fund balance is classified as restricted, committed, assigned, or unassigned. Amounts are reported as restricted when spending constraints are (a) externally imposed or (b) imposed by the government by constitutional provisions or enabling legislation. The committed fund balance includes amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor. The assigned fund balance is intended spending expressed by (a) the governing body or (b) a body or official to which the governing body has delegated the authority to assign amounts. The Governor is authorized to assign current year funds for appropriation in the subsequent year's budget pursuant to budgetary policies adopted by the General Assembly. The unassigned fund balance is the residual classification for the general fund.

The State utilizes encumbrance accounting. Encumbrances, based on purchase orders or other contracts, have been classified based on the existing resources that will be used to liquidate them. Encumbrances not included in the restricted fund balance are included in the committed fund balance since these amounts do not lapse at year-end but are payable from remaining appropriations from the prior year. Therefore, these amounts can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision-making authority through the budget process. Encumbrances are not displayed on the face of the financial statements but are disclosed in Note 17.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the State considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the State considers committed, assigned, and unassigned amounts to have been spent in that order.

C. Enterprise Funds, Fiduciary Funds and Component Units:

Basis of Accounting:

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from federal reimbursement-type grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 75 years for depreciable real property and building improvements, and 3 to 25 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

MLGCA Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland Lottery and Gaming Control Agency (MLGCA) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the MLGCA to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Video lottery terminals (VLTs) are a self-activated video version of lottery games. The MLGCA recognizes VLT revenue as gross terminal revenue equivalent to all wagers, net of related prizes. The casino operators' share is recorded as commissions and bonuses. Two casino operators receive 33%, one receives 43%, and one receives 50% of the gross terminal revenue to operate their casinos. After deducting operating costs, State law requires the MLGCA to transfer the remainder of the gross terminal revenue to various general fund agencies, which are responsible for making further distributions.

The casinos also operate table games. Table games include blackjack, roulette, craps and various poker games. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casinos. These costs are recorded as commissions and bonuses. The remainder is remitted to the MLGCA which transfers it to the general fund in accordance with the enabling legislation.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2014, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net position:	
Cash	\$ 742,123
Equity in pooled invested cash	3,396,203
Investments	3,272,462
Collateral for lent securities	184,486
Restricted cash	1,945,801
Restricted equity in pooled invested cash	212,393
Restricted investments	852,461
Statement of fiduciary net position:	
Cash	2,136,107
Equity in pooled invested cash	971,429
Investments	50,551,656
Collateral for lent securities	2,490,916
Total cash and investments per basic financial statements	66,756,037
Less: Cash and investments of higher education foundations not subject to disclosure	<u>1,209,874</u>
Total cash and investments per Note 3	\$ 65,546,163
Cash deposits:	
Governmental funds	\$ 501,111
Enterprise funds	1,096,151
Fiduciary funds	290,306
Component units	122,393
Investments:	
Governmental funds	5,190,161
Enterprise funds	2,144,737
Fiduciary funds	54,888,372
Component units	<u>1,312,932</u>
Total cash deposits and investments	\$ 65,546,163

Cash and equity in pooled invested cash for financial statement presentation includes short-term investments maturing within 90 days of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. Cash Deposits:

As of June 30, 2014, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were \$501,111,000, \$1,096,151,000, \$290,306,000, and \$122,393,000, respectively. The bank balances were \$501,111,000, \$1,099,579,000, \$290,306,000, and \$119,375,000, respectively.

Custodial Risk. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer

has custody if (a) the deposit is interest-bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs and higher education component unit do not have a deposit policy for custodial credit risk. As of June 30, 2014, \$40,000, and \$6,659,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized. The Maryland Prepaid College Trust does not have a policy for custodial credit risk. As of June 30, 2014, \$20,093,000, of its bank balances were exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Trust's name.

B. Investments:

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. Investments-Governmental Funds:

The State Treasurer's Office is authorized to make investments as stated in Note 2.A.

Investments are stated at fair value that is based on quoted market prices. The investments and maturities as of June 30, 2014, for the governmental funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Agencies (a).....	\$ 4,583,959	\$ 10,999		\$ 4,572,960 (b)
Repurchase Agreements.....	416,908	380,525	\$ 14,962	21,421
Local Government Investment Pool.....	4,808	4,808		
Total Investments.....	5,005,675	396,332	14,962	4,594,381
Collateral for Lent Securities.....	184,486	184,486		
Total Investments and Collateral for Lent Securities.....	\$ 5,190,161	\$ 580,818	\$ 14,962	\$ 4,594,381

(a) Investments held by broker dealers under securities lending program are \$163,139,000.

(b) Bonds in the amount of \$4,467,542,000, mature July 2017 to April 2019, but are callable July 2014 to June 2015.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2016 were \$36,383,000.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Tennessee Valley Authority are rated Aaa by Moody's, AA by Standard & Poor's, and AAA by Fitch. Obligations of the Federal Home Loan

Bank are rated Aaa by Moody's and AA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation are not rated. The Local Government Investment Pool is rated AAAm by Standard & Poor's.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5% of the governmental funds' investments are in the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank. These investments are 43.7%, 34.8%, and 15.9% of the governmental funds' total investments, respectively.

2. Investments – Enterprise Funds:

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds in accordance with bond indentures, and in direct equity investments in accordance with the statute establishing the program.

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2014, for the enterprise funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations	\$ 503,139	\$ 7,082	\$ 4,280	\$ 6,012	\$ 7,615	\$ 478,150
U.S Government agency obligations.....	619,208	25,005	575,776		4,015	14,412
Repurchase agreements	2,408				1,232	1,176
Commercial paper.....	59,520	59,520				
Guaranteed investment contracts.....	13,321	5,277	8,044			
Money market mutual funds	780,558	780,558				
Municipal bonds.....	58,659		40,201	18,458		
Total.....	\$ 2,036,813	\$ 877,442	\$ 628,301	\$ 24,470	\$ 12,862	\$ 493,738

In addition to the investments scheduled above, as of June 30, 2014, the enterprise funds' investments also include the fair value of direct equity investments, \$60,872,000.

The MLGCA, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners, and therefore have no interest rate risk to the MLGCA. As of June 30, 2014, the fair value of these investments was \$46,867,000, and \$185,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were \$17,997,000.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these, or that they receive the highest possible rating from at least one nationally recognized securities rating organization and that commercial paper be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The ratings on the Loan Programs' bonds as of June 30, 2014, were Aa by Moody's and AA by Fitch, or higher.

As of June 30, 2014, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. government agency obligations.....	\$ 50,940	Aaa	Moody's	2.38 %
U.S. government agency obligations.....	568,268	AA	S&P	26.50
Money market mutual funds.....	777,395	AAAm/Aaa	S&P/Moody's	36.25
Money market mutual funds.....	3,163	Unrated		0.15
Repurchase agreements - underlying securities.....	2,408	Aaa	Moody's	0.11
Commercial paper.....	59,520	A-1/ P-1	S&P/Moody's	2.78
Guaranteed investment contracts.....	10,044	Aaa	Moody's	0.47
Guaranteed investment contracts.....	3,277	A	Moody's	0.15
Municipal bonds.....	58,659	AAA	S&P	2.74
Total.....	\$ 1,533,674			71.53 %

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer of U.S. Government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation. These investments are 7.1%, 6.8%, and 6.3% of the enterprise funds' total investments, respectively.

3. Investments – Fiduciary Funds:

The Pension Trust Funds and Postretirement Health Benefits Trust Fund are authorized to make investments as stated in Note 2.A.

The Maryland Local Government Investment Pool is authorized by Article 95, Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments of the Pool are stated at fair value. Securities are valued daily on an amortized cost basis which approximates market value. Money market funds are valued at the closing net asset value per share on the day of valuation.

The investments and maturities as of June 30, 2014, for the fiduciary funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury notes and bonds.....	\$ 3,553,537	\$ 377,878	\$ 1,233,975	\$ 1,103,803	\$ 837,881
U.S. Treasury strips.....	18,284		2,063	72	16,149
U.S. government agency obligations.....	2,016,695	1,861,638	63,024	74,172	17,861
Repurchase agreements.....	247,619	247,619			
Commercial paper.....	282,331	282,331			
Guaranteed investment contracts (a).....	797,323		797,323		
Corporate bonds.....	2,771,614	50,283	990,456	1,273,390	457,485
International bonds.....	1,985,801	82,658	681,828	557,371	663,944
Other government bonds.....	650,096	33,267	266,493	173,216	177,120
Mortgage-backed securities.....	1,935,662	17,039	32,557	557,850	1,328,216
Asset-backed securities.....	371,969	151	149,719	67,671	154,428
Bond mutual funds.....	2,251,508	84,752	1,387,934	732,475	46,347
Swaps.....	16,906	(1,237)	18,676	(1,443)	910
Money market mutual funds.....	2,310,746	2,310,746			
Total investments.....	19,210,091	5,347,125	5,624,048	4,538,577	3,700,341
Collateral for lent securities.....	2,490,916	2,490,916			
Total investments and collateral for lent securities.....	\$ 21,701,007	\$ 7,838,041	\$ 5,624,048	\$ 4,538,577	\$ 3,700,341

- (a) These investments are stated at contract value as of December 31, 2013. The fair value as of December 31, 2013 was \$804,474,000, and the wrapper value was \$123,000.

In addition to the investments scheduled above, as of June 30, 2014, the fiduciary funds' investments also include the fair value of corporate equity securities of \$14,618,880,000, commingled investments of \$10,766,661,000, private equity of \$3,184,974,000, real estate of \$2,368,792,000, stock mutual funds of \$2,154,329,000, annuity contracts of \$90,369,000, and insurance contracts of \$3,360,000.

Interest Rate Risk. As of June 30, 2014, the System had \$1.4 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants, and therefore have no interest rate risk to the Plans. As of June 30, 2014, the fair value of these investments was \$90,369,000, and \$3,360,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in banker's acceptances and commercial paper subject to certain credit rating guarantee and/or collateral requirements. As of June 30, 2014, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. government agency obligations.....	\$ 27,966	AAA	0.05 %
U.S. government agency obligations.....	1,974,396	AA	3.77
U.S. government agency obligations.....	644	A	
U.S. government agency obligations.....	1,157	BAA	
U.S. government agency obligations.....	647	BBB	
U.S. government agency obligations.....	11,885	Unrated	0.02
Repurchase agreements - underlying securities	247,619	AA	0.47
Money market mutual funds	468,310	AAA	0.89
Money market mutual funds.....	1,842,436	A	3.52
Commercial paper.....	282,331	AAA	0.54
Guaranteed investment contracts.....	793,305	AA	1.51
Guaranteed investment contracts.....	4,018	Unrated	0.01
Corporate bonds.....	11,508	AAA	0.02
Corporate bonds.....	111,742	AA	0.21
Corporate bonds.....	345,760	A	0.66
Corporate bonds.....	290,914	BAA	0.56
Corporate bonds.....	1,882	BA	
Corporate bonds.....	949,137	BBB	1.81
Corporate bonds.....	284,513	BB	0.54
Corporate bonds.....	195,395	B	0.37
Corporate bonds.....	33,132	CAA	0.06
Corporate bonds.....	62,132	CCC	0.12
Corporate bonds.....	6,445	CC	0.01
Corporate bonds.....	2,475	C	
Corporate bonds.....	476,580	Unrated	0.91
International bonds.....	351,015	AAA	0.67
International bonds.....	929,482	AA	1.77
International bonds.....	142,633	A	0.27
International bonds.....	218,137	BAA	0.42
International bonds.....	1,725	BA	

International bonds.....	231,492	BBB	0.44
International bonds.....	23,480	BB	0.04
International bonds.....	7,248	B	0.01
International bonds.....	3,843	CCC	0.01
International bonds.....	76,747	Unrated	0.15
Other government bonds	21,815	AAA	0.04
Other government bonds	107,154	AA	0.20
Other government bonds	145,514	A	0.28
Other government bonds	25,484	BAA	0.05
Other government bonds	11,517	BA	0.02
Other government bonds	202,756	BBB	0.39
Other government bonds	53,100	BB	0.10
Other government bonds	17,239	B	0.03
Other government bonds	1,209	CAA	
Other government bonds	1,687	CCC	
Other government bonds	557	C	
Other government bonds	62,064	Unrated	0.12
Mortgage-backed securities.....	123,385	AAA	0.24
Mortgage-backed securities.....	49,396	AA	0.09
Mortgage-backed securities.....	34,159	A	0.07
Mortgage-backed securities.....	18,664	BAA	0.04
Mortgage-backed securities.....	6,287	BA	0.01
Mortgage-backed securities.....	38,431	BBB	0.07
Mortgage-backed securities.....	11,390	BB	0.02
Mortgage-backed securities.....	6,646	B	0.01
Mortgage-backed securities.....	11,040	CAA	0.02
Mortgage-backed securities.....	31,129	CCC	0.06
Mortgage-backed securities.....	1,346	CC	
Mortgage-backed securities.....	15,664	D	0.03
Mortgage-backed securities.....	1,588,126	Not rated	3.03
Asset-backed securities-Other.....	216,405	AAA	0.41
Asset-backed securities-Other.....	38,266	AA	0.07
Asset-backed securities-Other.....	44,391	A	0.08
Asset-backed securities-Other.....	7,866	BAA	0.02
Asset-backed securities-Other.....	11,245	BBB	0.02
Asset-backed securities-Other.....	2,388	BB	
Asset-backed securities-Other.....	23,756	B	0.05
Asset-backed securities-Other.....	990	CAA	
Asset-backed securities-Other.....	1,821	CA	
Asset-backed securities-Other.....	17,502	CCC	0.03
Asset-backed securities-Other.....	7,339	CC	0.01
Bond mutual funds.....	2,251,508	Not rated	4.30
Swaps.....	16,906	Not rated	0.03
Total.....	\$ 15,638,273		29.77 %

Foreign Currency Risk. The majority of the System's foreign currency-denominated investments are in equities. The System has an overlay program to minimize its currency risk.

The System's exposure to foreign currency risk as of June 30, 2014, was as follows (amounts expressed in thousands):

Currency	Equity	Fixed Income	Cash	Alternative Investments	Total
Australian Dollar.....	\$ 252,415	\$ 53,043	\$ 4,293	\$ 112,826	\$ 422,577
Brazilian Real	39,502	53,888	2,832	24,717	120,939
Canadian Dollar.....	374,209	24,991	8,191	39,339	446,730
Czech Koruna	6,447		3		6,450
Danish Krone.....	104,339	527	233	17,273	122,372
Egyptian Pound	2,347				2,347
Euro Currency.....	1,734,478	694,330	42,317	916,169	3,387,294
Hong Kong Dollar.....	322,378		2,934	63,471	388,783
Hungarian Forint.....	1,379		76		1,455
India Rupee.....			(496)		(496)
Indonesian Rupiah.....	15,361		151		15,512
Israeli Shekel.....	13,310		153		13,463
Japanese Yen.....	978,961	45,725	16,061	107,331	1,148,078
Malaysian Ringgit.....	18,480	309	457		19,246
Mexican Peso.....	11,813	58,686	14,231	6,747	91,477
Moroccan Dirham.....	320		17		337
New Israeli Sheqel.....	148			313	461
New Russian Ruble.....		4,063			4,063
New Taiwan Dollar.....	40,426		609		41,035
New Zealand Dollar.....	4,404	22,315	869	17,031	44,619
Nigerian Naira.....	52	303			355
Norwegian Krone.....	74,314		1,361	815	76,490
Philippine Peso.....	2,827		29		2,856
Polish Zloty.....	11,917	26,536	194		38,647
Pound Sterling.....	1,100,658	149,700	24,393	618,109	1,892,860
Oatari Rial	120				120
Singapore Dollar.....	82,657		1,973	22,263	106,893
South African Rand.....	44,330	11,559	2,331		58,220
South Korean Won	144,927		531		145,458
Swedish Krona.....	143,743	5,226	3,382	22,770	175,121
Swiss Franc.....	457,871	435	285	6,568	465,159
Thailand Baht.....	15,319		114		15,433
Turkish Lira.....	21,688		238		21,926
Uae Dirham.....	3,080				3,080
Multiple.....	1,659,195				1,659,195
Total.....	\$ 7,683,415	\$ 1,151,636	\$ 127,762	\$ 1,975,742	\$ 10,938,555

Derivatives:

Each System investment manager's guidelines determine the extent to which derivatives are permissible. Futures and other derivatives are permitted to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives is not permitted to materially alter the characteristics, including the investment risk, of each manager's account. The investment managers are to have in place, and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. Futures and short option positions must be hedged with cash, cash equivalents or current portfolio security holdings.

A list of derivatives aggregated by investment type is as follows (amounts expressed in thousands).

Changes in Fair Value			Fair Value as of June 30, 2014		
	Classification	Amount	Classification	Amount	Notional*
Commodity futures long	Investment revenue	\$ 4,453	Futures		\$ 199,098
Commodity futures short	Investment revenue	5,462	Futures		(14)
Credit default swaps bought	Investment revenue	(679)	Swaps	\$ (517)	29,041
Credit default swaps written	Investment revenue	1,790	Swaps	2,082	162,260
Currency swaps	Investment revenue	417	Swaps	3,319	17,683
Fixed income futures long	Investment revenue	14,698	Futures		1,257,886
Fixed income futures short	Investment revenue	(38,587)	Futures		(1,210,534)
Fixed income options bought	Investment revenue	(609)	Options	410	6,837
Fixed income options written	Investment revenue	5,927	Options	(1,224)	(192,955)
Foreign currency options bought	Investment revenue	(1,158)	Options		
Foreign currency options written	Investment revenue	2,181	Options	(1,685)	(86,900)
Futures options bought	Investment revenue	(2,464)	Options	226	1,206
Futures options written	Investment revenue	15,068	Options	(721)	(2,501)
			Long term		
FX forwards	Investment revenue	(237,226)	instruments	(57,503)	26,030,396
Index futures long	Investment revenue	8,014	Futures		734
Pay fixed interest rate swaps	Investment revenue	(4,632)	Swaps	(6,516)	743,927
Receive fixed interest rate swaps	Investment revenue	6,975	Swaps	2,736	167,487
Rights	Investment revenue	639	Common stock	195	401
Total return swaps bond	Investment revenue	49	Swaps		
Warrants	Investment revenue	3,022	Common stock	7,564	789
Grand Totals		\$ (216,660)		\$ (51,634)	

*Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions.

Credit Risk. The System is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to losses related to credit risk, the investment managers use counterparty collateral in their non-exchange-traded derivative instruments. Netting arrangements are also used when entering into more than one derivative instrument transaction with a counterparty. At the present time, the System does not have a formal policy relating to counterparty collateral or netting arrangements.

The aggregate fair value of derivative instruments in asset positions as of June 30, 2014, was \$155,859,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform. The maximum loss would, however, be reduced by the counterparty collateral and the liabilities included in netting arrangements with counterparties.

The following tables list the fair value of credit exposure per ratings of Standard & Poor's (S&P), Moody's and Fitch for the counterparties (amounts expressed in thousands):

Fair Value	S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating
\$ 66,403	AA	\$ 89,293	Aa	\$ 79,430	AA
89,456	A	63,237	A	76,429	A
		3,329	Baa		
\$ 155,859		\$ 155,859		\$ 155,859	

Risk concentrations are presented in the table below.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Westpac Banking Corporation	22%	AA	AA	Aa
State Street Bank London	13	A	A	A
JP Morgan Chase Bank, N.A. London	12	A	A	Aa
HSBC Bank PLC	8	A	AA	Aa
Royal Bank of Canada (UK)	8	AA	AA	Aa
Deutsche Bank AG London	6	A	A	A
Toronto Dominion Bank	6	AA	AA	Aa
Barclays Bank PLC Wholesale	5	A	A	A
Northern Trust Company, THE	4	AA	AA	A
Standard Chartered Bank	3	AA	AA	A
UBS AG London	2	A	A	A
Credit Suisse FOB CME	2	A	A	A
Bank of America, N.A.	1	A	A	A
Morgan Stanley and Co. International PLC	1	A	A	Baa
BNP Paribas SA	1	A	A	A
JP Morgan Chase Bank N.A.	1	A	A	Aa
Credit Suisse FOB ICE	1	A	A	A
Commonwealth Bank of Australia	1	AA	AA	Aa

4. *Investments – Component Units:*

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the GASB Statement No. 40 disclosures below because the foundations are not required to and do not follow statements of GASB.

One of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. In June 2011, the institution entered into a new agreement with the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Prepaid College Trust's Statement of Investment Policy (Investment Policy), adopted by the Board as required by the enabling legislation, allows the Trust to purchase investments including domestic, international and private equities; domestic, foreign and high yield bonds; global real estate equities; private real estate; commodities and other governmental agency instruments, as well as money market deposits based on the Investment Policy's specified portfolio allocation.

Investments of the component units are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2014, for the component units were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations.....	\$ 17,212		\$ 6,627	\$ 2,748	\$ 31	\$ 7,806
U.S. government agency obligations.....	55,918	\$ 8,168	4,044	2,052	6,292	35,362
Bond mutual funds.....	123,100	122,504			596	
Corporate debt securities.....	59,213	913	11,891	17,650	2,508	26,251
Municipal bonds.....	2,834		108			2,726
Money market mutual funds.....	140,792	140,792				
Total.....	\$ 399,069	\$ 272,377	\$ 22,670	\$ 22,450	\$ 9,427	\$ 72,145

In addition to the investments scheduled above, as of June 30, 2014, the component units' investments include the fair value of stock mutual funds of \$384,673,000, corporate equity securities of \$205,171,000, real estate of \$64,055,000, and the share of assets invested with the foundation of \$259,964,000.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities. It is the practice of the Maryland Prepaid College Trust to have no investments with maturities longer than required to fund tuition obligations based on actuarial projections.

Credit Risk. The policy of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The Investment Policy of the Maryland Prepaid College Trust details the minimum quality standards for the Trust's bond portfolios.

As of June 30, 2014, the component units had the following investments and quality ratings (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. agencies.....	\$ 8,981	AAA/Aaa	S&P & Moody's	0.7 %
U.S. agencies.....	46,937	AA/Aaa	S&P & Moody's	3.6
Money market mutual funds.....	130,204	Aaa	Moody's	9.9
Money market mutual funds.....	10,588	Not rated		0.8
Bond mutual funds.....	123,100	Not rated		9.4
Corporate debt securities.....	9,222	AAA	S&P	0.7
Corporate debt securities.....	7,266	AA	S&P	0.6
Corporate debt securities.....	10,971	A	S&P	0.8
Corporate debt securities.....	22,729	Less than A	S&P	1.7
Corporate debt securities.....	230	BBB	S&P	
Corporate debt securities.....	8,795	Not rated		0.7
Municipal bonds.....	2,834	AAA	S&P	0.2
Total.....	\$ 381,857			29.1 %

Concentration of Credit Risk. The higher education component units place no limit on the amount they may invest in U.S. government issuers. The Maryland Prepaid College Trust's guidelines limit a single investment to 5% of each bond portfolio's market value, except U.S. Treasury notes and bonds.

In addition to the Maryland Prepaid College Trust, the College Savings Plans of Maryland consists of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2014, the Plan has \$3,947,278,000, of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

1. Governmental and Enterprise Fund Types:

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially pledged at greater than the market value of the securities lent, and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100% of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund and the Maryland Lottery and Gaming Control Agency, and are included in the preceding Investments Note 3.B. As of year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2014, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands):

		Fair Value		
		Lent	Collateral	Percent
		Securities	Received	Collateralized
Securities-General fund	\$	163,139	\$ 166,136	101.8%
Securities-MLGCA		17,997	18,350	102.0%
Total	\$	181,136	\$ 184,486	101.9%

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in Note 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suits, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2014.

2. Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Fund's custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments-Fiduciary Funds Schedule in Note 3.B.3 includes securities lent at year-end for cash collateral and collateral received from lent securities.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2014, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

	Fair Value		Percent Collateralized
	Lent Securities	Collateral Received	
Lent for cash collateral:			
Fixed income securities.....	\$ 964,864	\$ 984,314	102%
Domestic equities.....	1,051,025	1,072,541	102
International equities.....	246,080	257,968	105
Lent for noncash collateral:			
Fixed income securities.....	158,483	161,759	102
Domestic equities.....	12,547	12,915	103
International equities.....	1,350	1,419	105
Total.....	\$ 2,434,349	\$ 2,490,916	102%

During fiscal year 2014, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2014, had an average duration of 43 days and an average final maturity of 78 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds have received cash or securities that can be sold or pledged without a borrower default.

4. Receivables:

Taxes receivable, as of June 30, 2014, consisted of the following (amounts expressed in thousands):

	Major Governmental Funds		Non-major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
Income taxes	\$ 793,158			\$ 793,158
Sales and use taxes.....	437,799			437,799
Transportation taxes, primarily motor vehicle fuel and excise.....		\$ 122,322		122,322
Other taxes, principally alcohol, tobacco and property	42,523		\$ 19,318	61,841
Less: Allowance for uncollectibles	26,592			26,592
Taxes receivable, net.....	\$ 1,246,888	\$ 122,322	\$ 19,318	\$ 1,388,528

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period were \$3,564,000.

Other accounts receivable in the governmental funds of \$749,951,000, including \$96,509,000, due in excess of one year, consisted of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, child support and public assistance overpayments, and the tobacco settlement.

Other accounts receivable for the enterprise funds of \$376,961,000, primarily consisted of \$186,701,000, due to the Unemployment Insurance Program from employers and for benefit overpayments, \$94,173,000, due to the Community Development Administration from accrued interest and claims receivable on foreclosed and other loans and \$30,612,000, due to the Maryland Lottery and Gaming Control Agency from lottery retailers for ticket sale proceeds and from casino operators for gross terminal revenue and table game revenue.

5. Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources and deferred inflows of resources are reported when a given item that otherwise meets the definition of a revenue or expenditure/expense relates to a future period. These deferred amounts apply to governmental activities, business-type activities, proprietary funds, and fiduciary funds, except that deferred inflows apply to governmental funds for revenues that are not considered to be available to liquidate liabilities of the current period.

As of June 30, 2014, the State's deferred outflows of resources and deferred inflows of resources consisted of the following components (amounts expressed in thousands):

	Governmental Funds		Governmental Activities	Business-type Activities	Component Units
	General Fund	Special Revenue Fund			
Deferred Outflows of Resources:					
Loss on Refunding of Debt – Refunding of some previously outstanding general obligation bonds and revenue bonds resulted in losses			\$ 200,029	\$ 10,089	\$ 20,382
Interest Rate Exchange Agreements (Swaps) - CDA has entered into pay-fixed, receive- variable interest rate swap agreements in connection with certain variable rate bond series				20,569	
Total for Deferred Outflows of Resources	\$ -	\$ -	\$ 200,029	\$ 30,658	\$ 20,382
Deferred Inflows of Resources:					
Governmental fund receivables for revenues that are not considered to be available to liquidate liabilities of the current period	\$ 518,261	\$ 119,610			
Service Concession Arrangement receipts of the: Maryland Department of Transportation			\$ 52,078		
Maryland Transportation Authority				\$ 32,635	
University System of Maryland					\$ 362,356
Total for Deferred Inflows of Resources	\$ 518,261	\$ 119,610	\$ 52,078	\$ 32,635	\$ 362,356

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2014, consisted of the following (amounts expressed in thousands).

	Primary Government			Component Units	
	General	Non-major Governmental Funds	Enterprise	Higher Education	Other
Notes receivable:					
Political subdivisions:					
Water quality projects		\$ 1,754	\$ 1,001,469		
Public school construction		161			
Other		3	123,603		
Volunteer fire & rescue companies	\$ 9,675				
Permanent mortgage loans			2,492,519		
Student and health profession loans				\$ 73,753	
Shore erosion loans	8,691				
Other	107			7,645	\$ 7,216
Total	18,473	1,918	3,617,591	81,398	7,216
Less: Allowance for possible loan losses			332,805	13,904	2,142
Loans and notes receivable, net	18,473	1,918	3,284,786	67,494	5,074
Less: Due within one year	1,990	160	148,291	8,482	750
Due in more than one year	\$ 16,483	\$ 1,758	\$ 3,136,495	\$ 59,012	\$ 4,324

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 8.8% and mature within 19 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' federal assistance program.

The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Substantially all of the loans are secured by first liens on the related property and are insured or credit enhanced by the Federal Housing Administration mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Federal Home Loan Mortgage Corporation (Freddie Mac), FNMA, GNMA, Maryland Housing Fund or by private mortgage insurance policies.

Student and health profession loans are made pursuant to student loan programs funded through the U.S. government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2014, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of direct financing leases as of June 30, 2014, was \$394,257,000. As of June 30, 2014, the Authority held \$144,580,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands):

2015.....	\$ 25,299
2016.....	26,184
2017.....	26,049
2018.....	26,824
2019.....	27,954
2020-2024.....	150,110
2025-2029.....	147,955
2030-2034.....	74,410
Total.....	504,785
Unearned interest income	34,052
Total lease payments.....	538,837
Less: Restricted investments related to unexpended bond proceeds.....	144,580
Net investment in direct financing leases.....	\$ 394,257

Component Units:

As of June 30, 2014, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2014, was \$163,574,000. As of June 30, 2014, the Authority held \$921,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands):

2015.....	\$ 30,456
2016.....	25,403
2017.....	24,043
2018.....	23,965
2019.....	23,954
2020-2024.....	62,066
2025-2029.....	13,867
Total.....	203,754
Less: Unearned interest income	39,259
Net lease payments	164,495
Less: Restricted investments related to unexpended bond proceeds.....	921
Net investment in direct financing leases.....	\$ 163,574

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Position. The purpose and amount of restricted assets as of June 30, 2014, were as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
\$ 12,384	Represents money restricted for construction retainages related to highway and airport projects
195,168	Represents State property taxes restricted to pay debt service on general obligation debt
9,019	Represents certificates of deposit linked to funds loaned under the State's housing loan program (\$2,720) and certificates of deposit restricted for Agricultural Land Preservation easement purchases (\$6,299)
<u>12,331</u>	Represents investments restricted to pay debt service on transportation bonds
\$ 228,902	
Business-type Activities:	
\$ 3,015,491	Assets of the Community Development Administration and State-Funded Loan programs are restricted for various mortgage loans for low-income housing and loans for local governments' public facilities
440,282	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration
1,161,661	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statute
93,620	Restricted assets in the Maryland Lottery and Gaming Control Agency include cash held in separate annuity contracts and coupon bonds for winning lottery ticket payouts and escrow deposits from lottery agents, casino operator license applicants and other gaming license applicants prior to being recognized as revenue
450,561	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
84,664	Assets have been restricted by the Maryland Housing Fund to pay possible future claims under insurance for losses on mortgage loans
<u>\$ 5,246,279</u>	
Component Units:	
\$ 124,900	Restricted assets of Higher Education include funds held by the trustee for future construction projects and to pay debt service and cash restricted for endowment purposes
3,623	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures
6,886	Restricted assets include cash and investments that relate to revenue bond indentures and to restricted project funds for the provision of water supply and waste-water treatment by the Maryland Environmental Service
<u>\$ 135,409</u>	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2014, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount	
General Fund	Special Revenue Fund	\$ 2,443	(a)
	Enterprise Funds –		
	Economic Development Loan Programs	438	(b)
	Maryland Lottery and Gaming Control Agency	<u>76,584</u>	(c)
		<u>\$ 79,465</u>	
Special Revenue Fund	General Fund	\$ 69,442	(d)
	Enterprise Funds –		
	Maryland Transportation Authority	<u>71,339</u>	(e)
		<u>\$ 140,781</u>	
Non-major governmental funds	General Fund	<u>\$ 1,533</u>	(f)
Enterprise Funds –			
Economic Development Loan Programs	General Fund	\$ 26,515	(g)
	Non-major governmental funds	38,900	(h)
Unemployment Insurance Program	General Fund	2,507	(g)
Maryland Transportation Authority	Special Revenue Fund	<u>3,684</u>	(i)
		<u>\$ 71,606</u>	
Agency Fund –			
Local Income Taxes	General Fund	\$ 550,000	(j)

The receivable and payable transactions between the governmental funds and the enterprise funds are reported as due from and due to other funds. The receivable and payable transactions between the Agency Fund and the General Fund are reported as accounts receivable from State treasury by the Agency Fund and due to other funds by the General Fund.

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2014, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	\$ 734
	Non-major component units	<u>3,400</u>
		<u>\$ 4,134</u>
Component Units –	Agency Fund –	
Maryland Stadium Authority	Local Transportation Funds and Other Taxes	\$ 3,649
Maryland Technology Development Corp.	General Fund	<u>11,093</u>
		<u>\$ 14,742</u>

The receivable and payable transactions between the General Fund and Component Unit are reported as due from/due to component units and due to/due from primary government. The receivable and payable transactions between the Component Unit and Agency Fund are reported as due from primary government by the Component Unit and accounts payable and accrued liabilities by the Agency Fund.

- (a) The amount represents Transportation Trust Fund revenues transferred to the General Fund in July and August 2014.
- (b) This amount represents payable balances for Economic Development Loan Program transfers.
- (c) This amount represents monies collected by the Maryland Lottery and Gaming Control Agency in June 2014, and paid to the General Fund in July 2014.
- (d) The amount represents income and sales tax subsidies and return of health insurance costs from the General Fund.
- (e) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.

- (f) This amount represents reimbursements due for expenditures advanced by the Capital Projects Fund.
- (g) These amounts represent receivable balances from General Fund subsidies.
- (h) Bond funds collected by the Capital Projects Fund on behalf of the Economic Development Loan Programs.
- (i) The Maryland Transportation Authority receives rent, interest income and fees for services from the Special Revenue Fund.
- (j) The loans were made in accordance with Section 2-606 of Tax-General Article of the Annotated Code of Maryland from the reserve of unallocated tax revenue that the Comptroller estimates will be claimed and refunded to taxpayers within 3 years of the date that the income tax return was filed. The money will be used to provide funding for public elementary and secondary education and the Maryland Medicaid Program.

All interfund balances except for (j) above, are expected to be repaid by June 30, 2015. For (j) above, the General Fund is required to pay to the Agency Fund \$33,333,000, a year in each of fiscal years 2021 through 2026. The remaining balance is due to pay local income taxes at unspecified dates in the future.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2014, consisted of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	\$ 70,214
	Non-major Governmental Funds	55,707
	Enterprise Funds –	
	Maryland Lottery and Gaming Control	941,738
	Economic Development Loan Programs	512
	Non-major Enterprise Funds	<u>1,800</u>
		<u>\$ 1,069,971</u>
Special Revenue Fund	General Fund	<u>\$ 210,282</u>
Non-major Governmental Funds	General Fund	\$ 178,952
	Special Revenue Fund	<u>200,455</u>
		<u>\$ 379,407</u>
Enterprise Funds -		
Loan Programs	General Fund	\$ 12,516
	Non-major Governmental Funds	47,344
	Non-major Enterprise Fund	<u>770</u>
		<u>\$ 60,630</u>

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the Non-major Governmental Funds as debt service payments become due, and 3) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the Non-major Governmental Funds transferred \$54,496,000, of Program Open Space funds, \$485,000, of interest earned on bonds, \$705,000, for expenses for bond sales and \$21,000, for project rescissions to the General Fund.

The Maryland Lottery and Gaming Control Agency transferred revenue in excess of funds allocated to prize awards, casino operators, operating expenses and capital expenditure payments in the amount of \$941,738,000, to the general fund. The general fund transferred \$12,516,000, to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred \$512,000, of unused funds to the general fund. Expenditures for capital projects of \$ 47,344,000, were transferred to Enterprise Funds – Loan Programs.

During the year, the General Fund and other governmental funds had expenditures of \$1,242,254,000, and \$212,473,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the Higher Education component units. The General Fund also had net expenditures of \$ 20,000,000, that were for funds provided to supplement revenues of the Maryland Stadium Authority. The General Fund transferred \$21,272,000, to the non-major component unit, the Maryland Technology Development Corporation, for Maryland Stem Cell Research and other operating grants.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2014, was as follows (amounts expressed in thousands):

Governmental activities:					
Classification	Balance July 1, 2013	Additions	Deletions	Transfers in (out)	Balance June 30, 2014
Capital assets, not depreciated,					
Land and improvements.....	\$ 3,273,399	\$ 33,641	\$ 1,110	\$ 72,468	\$ 3,378,398
Art and historical treasures.....	9,370	12,979			22,349
Construction in progress.....	2,920,728	1,062,044		(480,874)	3,501,898
Total capital assets, not depreciated.....	6,203,497	1,108,664	1,110	(408,406)	6,902,645
Capital assets, being depreciated					
Structures and improvements.....	6,691,508	78,972	17,417	56,823	6,809,886
Equipment.....	2,978,973	67,587	38,696	67,307	3,075,171
Infrastructure.....	20,749,449	606,681	11,825	284,276	21,628,581
Total capital assets, being depreciated.....	30,419,930	753,240	67,938	408,406	31,513,638
Less accumulated depreciation for,					
Structures and improvements.....	3,016,240	179,935	12,519		3,183,656
Equipment.....	2,087,583	163,741	40,133		2,211,191
Infrastructure.....	11,391,128	811,477			12,202,605
Total accumulated depreciation.....	16,494,951	1,155,153	52,652		17,597,452
Total capital assets, net.....	\$ 20,128,476	\$ 706,751	\$ 16,396	\$ -	\$ 20,818,831
Business-type activities:					
Classification	Balance July 1, 2013	Additions	Deletions		Balance June 30, 2014
Capital assets, not depreciated,					
Land and land improvements.....	\$ 387,239	\$ 4,495			\$ 391,734
Construction in progress.....	1,217,254	386,281	\$ 162,052		1,441,483
Total capital assets, not depreciated.....	1,604,493	390,776	162,052		1,833,217
Capital assets, being depreciated,					
Structures and improvements.....	65,976	51,116	3,659		113,433
Equipment.....	140,604	1,689	1,645		140,648
Infrastructure.....	4,842,969	141,543	22,906		4,961,606
Total-Capital assets, being depreciated.....	5,049,549	194,348	28,210		5,215,687
Less: accumulated depreciation,					
Structures and improvements.....	25,210	1,440	2,671		23,979
Equipment.....	86,169	18,472	1,518		103,123
Infrastructure.....	1,284,716	104,737	13,558		1,375,895
Total accumulated depreciation.....	1,396,095	124,649	17,747		1,502,997
Total capital assets, net.....	\$ 5,257,947	\$ 460,475	\$ 172,515	\$	5,545,907

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2014, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:	
Function	Amount
General government	\$ 37,699
Education	4,225
Human resources	12,959
Health and mental hygiene	9,214
Environment	2,606
Public safety	42,255
Housing and community development	2
Natural resources and recreation	19,831
Transportation	1,002,119
Agriculture	20,269
Labor, licensing and regulation	477
Judicial	3,497
Total depreciation expense – governmental activities	\$ 1,155,153

Business-type activities:	
Function	Amount
MLGCA	\$ 13,301
Transportation Authority	110,085
Maryland Correctional Enterprises	1,259
Economic Development Loan Programs	4
Total depreciation expense – business-type activities	\$ 124,649

11. Long-Term Obligations

A. Governmental Activities:

Changes in governmental activities' long term debt, for the year ended June 30, 2014, were as follows (amounts expressed in thousands).

	Balance July 1, 2013, as restated	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	\$ 8,005,802	\$ 1,216,404	\$ 859,859	\$ 8,362,347	\$ 658,368
Transportation Bonds	1,618,290	325,000	130,619	1,812,671	152,415
Add: Issuance premiums	963,427	183,753	117,270	1,029,910	
Total bonds and notes payable	10,587,519	1,725,157	1,107,748	11,204,928	810,783
Other Liabilities:					
Compensated absences	349,026	208,003	164,908	392,121	187,922
Self insurance costs	344,208	1,331,896	1,320,158	355,946	141,071
Net pension obligation	2,932,469	597,972		3,530,441	
Net other post employment benefits obligation	4,008,001	223,741		4,231,742	
Obligations under capital leases	766,393	170,236	21,236	915,393	63,036
Obligations under capital leases with component units	186,706		23,132	163,574	23,065
Pollution remediation	173,962	900	3,998	170,864	469
Agricultural preservation installment obligation ..		6,299		6,299	1,707
Total other liabilities	8,760,765	2,539,047	1,533,432	9,766,380	417,270
Total long-term liabilities - governmental activities	\$ 19,348,284	\$ 4,264,204	\$ 2,641,180	\$ 20,971,308	\$ 1,228,053

General Obligation Bonds –

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a “cash flow” basis rather than a “project” basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2014. Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, bond premiums, interest subsidy payments from the Federal government, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2014, the State issued \$1,216,404,000, of general obligations at a premium of \$150,461,000, with related issuance costs of \$3,834,000.

Included in bond issuances were \$236,852,000, to refund certain outstanding general obligation bonds issued between 2005 and 2012. From the refunding bonds and related premium of \$42,421,000, \$278,876,000, was transferred to an escrow account and used to purchase U.S. Government securities. These securities will be used to secure the principal and interest related to the refunded bonds. The interest rates on the refunded bonds range from 4.0% to 5.0%. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is \$14,213,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is \$12,577,000.

Refunded bonds of \$1,550,980,000, maturing in fiscal years 2015-2023 and callable in fiscal years 2015-2020 were considered defeased as of June 30, 2014. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2014, were as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
3/8/01	2004-2016	4.0-5.5%	\$19,510-\$20,535	\$ 200,000	\$ 40,045
7/26/01	2005-2017	5.0-5.5	18,390-20,285	200,000	57,985
11/21/01 (b)	2016		18,098	18,098	18,098
3/21/02 (a)	2003-2017	5.3-5.5	18,100-19,765	309,935	56,780
8/15/02 (a)	2003-2018	4.8-5.5	19,545-23,055	515,830	85,070
3/6/03	2006-2018	5.3	43,045-49,830	500,000	185,525
8/10/04	2008-2015	5.0	31,790	400,000	31,790
11/30/04 (b)	2020		9,043	9,043	9,043
3/17/05	2006-2015	4.0-5.3	27,805	350,000	27,805
3/17/05 (a)	2006-2015	4.0-5.3	11,955	281,185	11,955
8/11/05	2009-2016	4.3-5.0	32,460-34,125	430,000	66,585
3/23/06	2009-2016	4.0-5.0	21,065-22,115	280,000	43,180
8/10/06	2011-2017	4.3-5.0	25,210-27,860	350,000	79,570
12/20/06 (b)	2022		4,378	4,378	4,378
3/15/07	2010-2017	5.0	23,635-26,060	325,000	74,510
8/16/07	2011-2023	5.0	25,650-38,265	375,000	220,050
12/18/07 (b)	2023		4,986	4,986	4,986
3/12/08	2011-2016	4.0-5.0	27,450-28,820	400,000	56,270
7/28/08	2012-2024	5.0	27,405-41,705	415,000	268,605
12/16/08 (b)	2010-2021	1.6	464	5,563	3,245
3/16/09 (f)	2012-2023	4.0-5.0	4,475-28,865	199,220	143,125
3/16/09 (g)	2013-2024	2.0-5.0	5,800-42,125	225,780	119,360
8/18/09 Ser A	2013-2024	2.0-5.0	9,170-32,040	235,000	180,670

8/18/09 Ser B	2013-2024	4.0-5.3%	\$11,650-25,775	\$	200,000	\$	175,865
8/18/09 (c)	2025	4.6	50,000		50,000		50,000
11/3/09	2013-2022	5.0	12,385-16,720		141,800		101,240
11/3/09 (c)	2023-2025	4.5-4.8	18,400-20,400		58,200		58,200
12/16/09 (d)	2025		50,320		50,320		50,320
12/17/09 (b)	2011-2025	1.6	371		5,563		4,080
12/18/09 (a)	2016-2021	2.0-5.0	29,560-178,775		602,765		602,765
3/9/10 (c)	2019-2025	4.0-4.6	52,450-62,170		400,000		400,000
3/9/10 (a)	2018-2023	3.0-5.0	2,330-60,600		195,315		195,315
8/10/10 Ser A	2014-2019	2.0-5.0	17,625-41,020		143,335		121,305
8/10/10 Ser B	2014-2022	2.5-5.0	15,400-44,765		221,665		188,945
8/10/10 (c)	2023-2026	4.2-4.3	17,960-19,575		75,000		75,000
8/10/10 (d)	2026	4.4	45,175		45,175		45,175
12/8/10 (b)	2026	5.0	4,543		4,543		4,543
3/22/2011 (h)	2014-2026	2.0-5.0	1,635-28,870		130,770		112,870
3/22/2011 (i)	2014-2026	3.0-5.0	1,875-43,505		354,230		308,760
8/5/2011 (h)	2015-2026	2.0-4.0	975-29,510		71,730		71,730
8/5/2011 (i)	2015-2027	3.5-5.0	205-46,090		418,270		383,345
8/5/2011 (b)	2027	4.2	15,900		15,900		15,900
8/5/2011 (j)	2027	4.2	6,500		6,500		6,500
9/28/2011 (a)	2020	1.2	30,025-61,040		254,915		254,915
3/20/2012 (h)	2027	2.2	1,050-8,530		56,085		56,085
3/20/2012 (i)	2027	2.4	27,215-54,210		543,915		543,915
3/20/2012 (a)	2023	1.7	25,055-40,005		138,380		138,380
8/14/2012 (h)	2016-2028	2.5	70-9,290		26,340		26,340
8/14/2012 (i)	2016-2028	2.2	3,650-48,770		478,660		478,660
8/14/2012 (e)	2016	0.4	23,000		23,000		23,000
8/14/2012 (b)	2028	2.8	15,230		15,230		15,230
8/14/2012 (a)	2019-2021	1.3	22,905-105,425		183,795		183,795
3/15/2013 (i)	2016-2028	2.4	28,415-49,105		500,000		500,000
3/15/2013 (a)	2018-2022	1.1	4,215-66,135		165,135		165,135
8/6/2013 (i)	2018-2029	3.2	16,295-46,770		435,000		435,000
8/6/2013 (e)	2017-2018	1.2	12,155-27,845		40,000		40,000
12/19/2013 (b)	2015-2029		303		4,549		4,549
3/18/2014 (i)	2018-2029	2.8	12,145-46,695		450,000		450,000
3/18/2014 (e)	2017-2018	0.9	19,090-30,910		50,000		50,000
3/18/2014 (a)	2015-2022	1.2	15,440-83,410		236,855		236,855
Totals				\$	12,826,958	\$	8,362,347

- (a) Includes refunding debt
- (b) Includes Qualified Zone Academy Bonds for which the purchaser may receive Federal tax credits each year the bonds are outstanding
- (c) Includes federally taxable Build America Bonds for which the State receives a subsidy payment from the Federal Government equal to 35% of interest payments
- (d) Qualified School Construction Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding
- (e) Taxable Bond Sale
- (f) Institutional Bond Sale
- (g) Retail Bond Sale
- (h) Negotiated Bond Sale
- (i) Competitive Bond Sale
- (j) Qualified Energy Construction Bond Sale

General obligation bonds authorized, but unissued, as of June 30, 2014, totaled \$2,538,413,000.

As of June 30, 2014, general obligation debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Year Ending June 30,	Principal	Interest
2015.....	\$ 658,368	\$ 357,994
2016.....	752,246	328,931
2017.....	785,523	293,143
2018.....	777,728	257,999
2019.....	733,283	222,094
2020-2024.....	3,151,915	640,984
2025-2029.....	1,503,284	115,097
Total.....	\$ 8,362,347	\$ 2,216,242

Subsequent to June 30, 2014, on August 6, 2014, general obligation bonds aggregating \$500,000,000, were issued for capital improvements, and general obligation refunding bonds in the amount of \$649,715,000, were issued to refund \$695,195,000, outstanding general obligation bonds issued between 2007 and 2013 in order to realize savings on debt service costs. The general obligation bonds have interest rates ranging from 2.0% to 5.0% and mature through 2030. The refunding bonds have interest rates ranging from 5.0% to 5.3% and mature through 2025.

Transportation Bonds –

Transportation bonds outstanding as of June 30, 2014, were as follows (amount expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 2.0% to 5.5%, due serially through 2029 for State transportation activity.....	\$ 1,614,856
Consolidated Transportation Bonds, Refunding – 5%, due serially through 2019 for State transportation activity.....	170,815
Total	\$ 1,812,671

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$4,500,000,000, through June 30, 2014, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2014, was \$2,292,670,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2014, was \$1,812,671,000. Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payments.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2013 session of the General Assembly established a maximum outstanding principal amount of \$724,700,000, as of June 30, 2014, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2014, the Department's nontraditional debt outstanding was \$752,210,000, and was reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2014.

During the year, the Department issued Consolidated Transportation Bonds in the amount of \$225,000,000, with a net premium of \$20,568,000, with maturities ranging from December 2016 to December 2028, and with interest rates ranging from 3.0% to 5.0%, and Consolidated Transportation Bonds in the amount of \$100,000,000, with a net premium of \$12,724,000, with maturities ranging from June 2017 to June 2029, and with interest rates ranging from 3.0% to 5.5%.

As of June 30, 2014, Department bond debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands):

Years Ending June 30,	<u>Consolidated Transportation Bonds</u>	
	Principal	Interest
2015.....	\$ 152,415	\$ 79,989
2016.....	170,150	73,229
2017.....	205,860	64,667
2018.....	198,630	54,833
2019.....	160,920	46,038
2020-2024.....	670,160	132,108
2025-2029.....	<u>254,536</u>	<u>24,966</u>
Total.....	<u>\$1,812,671</u>	<u>\$ 475,830</u>

Obligations Under Capital Leases –

Obligations under capital leases as of June 30, 2014, bore interest at annual rates ranging from 0.1% to 6.7%. Capital lease obligations with third parties in fiscal year 2014 increased by \$170,236,000, for master equipment and building leases entered into by the general fund. The addition for a building lease in the amount of \$164,710,000, is related to new debt issued for the Department of Health and Mental Hygiene's new Public Health Laboratory building. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain lottery games. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2014 (amounts expressed in thousands).

Years Ending June 30,	<u>Capital Lease Obligations with</u>	
	Third Parties	Component Units
2015.....	\$ 102,558	\$ 30,456
2016.....	101,098	25,403
2017.....	97,276	24,043
2018.....	93,874	23,965
2019.....	92,947	23,954
2020-2024.....	434,542	62,066
2025-2029.....	323,083	13,867
2030-2034.....	<u>121,975</u>	
Total future minimum payments.....	1,367,353	203,754
Less: Amount representing interest.....	348,206	39,259
Less: Restricted cash and investments.....	<u>103,754</u>	<u>921</u>
Present value of net minimum payments.....	<u>\$ 915,393</u>	<u>\$ 163,574</u>

The reduction shown for restricted cash and investments in the amounts of \$103,754,000, and \$921,000, is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases were as follows (amounts expressed in thousands):

Asset	Third Parties Amount
Construction in progress.....	\$ 340,294
Land and improvements	23,827
Buildings and improvements	1,170,482
Machinery and equipment	279,758
Infrastructure	329,283
Total acquired assets	2,143,644
Less: Accumulated depreciation.....	787,139
Total capital assets – net	\$ 1,356,505

Pollution Remediation Obligations –

The State has recognized a pollution remediation obligation on the statement of net position for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following.

- (a) There is an imminent danger to the public.
- (b) The State is in violation of a related permit or license.
- (c) The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
- (d) The State is named or has evidence that it will be named in a lawsuit.
- (e) The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or PRP in a site assessment, completion of a corrective measures feasibility study, issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts – the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution remediation estimated liability is \$170,864,000, with no estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contaminations by hazardous materials under Federal and State law in the amount of \$161,864,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes \$9,000,000, for the clean-up of an illegal tire dump for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of \$830/ton based on historical data, fuel costs, specific site factors and oversight costs.

Agricultural Land Preservation Installment Purchase Obligation—

Under the Maryland Agricultural Land Preservation Program, the State purchases agricultural preservation easements restricting development on prime farmland and woodland.

Landowners have the option to choose a lump-sum payment option or installment payment option. The installment payment option is available by taking payments in equal amounts over two to ten years. The landowner may elect to take a certain amount in cash at the time of settlement and divide the remainder of the offer amount equally to be paid annually over the subsequent years. For the installment payments, the funds are invested by the State Treasurer in certificates of deposit at the interest rate in effect on the day of deposit in order to mature in accordance with the schedule of installments indicated by the landowners. Interest rates currently range from 0.1% to 4.0%. Each installment includes interest minus one-quarter of one percent of the interest earned. All installments are paid either April 1 or October 1 beginning the calendar year after the year settlement has occurred. Installment obligations mature through April 2022.

A summary of long-term debt outstanding for the agricultural land preservation installment purchase obligation at June 30, 2014 is as follows (amounts expressed in thousands):

Years Ending June 30,	Principal	Interest
2015.....	\$ 1,707	\$ 117
2016.....	1,455	43
2017.....	1,048	28
2018.....	709	15
2019.....	503	12
2020-2024.....	877	19
Total	\$ 6,299	\$ 234

For the governmental activities, compensated absences, self insurance, net pension obligations, net other post-employment benefits obligations, obligations under capital leases, pollution remediation obligations, and Agricultural Land Preservation Installment Purchase obligations are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2014, were as follows (amounts expressed in thousands).

	Balance, July 1, 2013, As Restated	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable.....	<u>\$6,232,924</u>	<u>\$ 399,620</u>	<u>\$ 692,823</u>	<u>\$5,939,721</u>	<u>\$ 276,172</u>
Other Liabilities:					
Lottery prizes.....	51,172	3,445	13,840	40,777	10,479
Escrow deposits	37,477	29,479	22,399	44,557	19,429
Rebate liability	1,399	117		1,516	1,296
Compensated absences.....	13,071	8,073	6,468	14,676	2,952
Self insurance costs	12,350	3,522	2,692	13,180	2,043
Obligation under capital leases.....	<u>31,024</u>		<u>13,544</u>	<u>17,480</u>	<u>9,286</u>
Total other liabilities.....	<u>146,493</u>	<u>44,636</u>	<u>58,943</u>	<u>132,186</u>	<u>45,485</u>
Total long-term liabilities – business type activities	<u>\$6,379,417</u>	<u>\$ 444,256</u>	<u>\$ 751,766</u>	<u>\$6,071,907</u>	<u>\$ 321,657</u>

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity were as follows (amounts expressed in thousands):

Year Ended June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2015.....	\$ 151,437	\$ 89,562	\$ 6,560	\$ 6,824	\$ 118,175	\$ 149,065
2016.....	98,510	84,543	12,345	7,466	127,928	143,616
2017.....	92,080	81,389	9,970	6,952	132,925	137,342
2018.....	101,570	78,303	13,460	6,467	147,466	130,813
2019.....	73,690	75,084	12,445	5,811	154,455	123,665
2020-2024.....	351,750	332,365	67,835	19,367	475,841	532,500
2025-2029.....	331,475	261,926	47,110	5,053	495,926	420,316
2030-2034.....	420,470	197,347			501,171	304,466
2035-2039.....	408,585	127,116			523,107	182,250
2040-2044.....	323,478	61,735			431,950	51,070
2045-2049.....	108,630	14,540			70,366	3,655
2050-2054.....	34,035	3,639				
2055-2059.....	<u>2,465</u>	<u>104</u>				
Total.....	2,498,175	1,407,653	169,725	57,940	3,179,310	2,178,758
Discounts and premiums.....	<u>8,907</u>		<u>15,911</u>		<u>63,221</u>	
Totals.....	\$ 2,507,082	\$ 1,407,653	\$ 185,636	\$ 57,940	\$ 3,242,531	\$ 2,178,758

Community Development Administration (Administration) – Revenue Bonds

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$3,015,137,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 0.3% to 6.8%, with the bonds maturing serially through February 2055. The principal amount outstanding as of June 30, 2014, was \$2,507,082,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. During fiscal year 2014, the Administration issued \$284,197,000, of revenue bonds with interest rates ranging from .3% to 5.7% and maturing serially through February 2055.

Subsequent to June 30, 2014, the Administration issued a total of \$194,075,000, and redeemed a total of \$66,295,000, revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with the variable rate revenue bonds totaling \$246,285,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreements mature from September 1, 2025 through September 1, 2043, and the swaps' notional amount of \$246,285,000, matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.7% to 4.8% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus .2% or .3%. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

Credit risk. The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2014. The fair value of three swaps with one counterparty is (\$4,924,000), the fair value of two swaps with a second counterparty is (\$4,200,000), and the fair value of three swaps with a third counterparty is (\$11,445,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2014, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated A by Standard & Poor's and Aa by Moody's; the second counterparty is rated Aa by Moody's and AA by Fitch; and the third counterparty is rated Aa by Moody's and A by Standard &

Poor's. To mitigate the potential for credit risk, if the counterparties' credit quality falls below to A or below, the fair value of the swaps will be fully collateralized by the counterparties.

Basis risk. The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Security Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2014, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ended June 30,	Hedged Variable Rate Bonds		Interest Rates Swap, Net	Total
	Principal	Interest		
2015.....	\$ 4,255	\$ 166	\$ 9,192	\$ 13,613
2016.....		151	8,517	8,668
2017.....		151	8,068	8,219
2018.....	2,000	151	7,616	9,767
2019.....	3,300	149	7,129	10,578
2020-2024.....	9,150	724	30,844	40,718
2025-2029.....	76,625	585	25,896	103,106
2030-2034.....	45,580	434	19,968	65,982
2035-2039.....	76,230	212	9,984	86,426
2040-2044.....	<u>29,145</u>	<u>37</u>	<u>873</u>	<u>30,055</u>
Total.....	\$ 246,285	\$ 2,760	\$ 128,087	\$ 377,132

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of (\$20,569,000) as of June 30, 2014. The swaps' fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease.

The table below summarizes the total fair values for the Administration's interest rate swaps as of June 30, 2013 and 2014, and the changes in fair values for the year ended June 30, 2014 (amounts expressed in thousands).

	Total Fair Value at June 30, 2013	Total Fair Value at June 30, 2014	Change in Fair Value For the Period
Interest rate swaps:			
Cash flow hedges.....	\$ (27,065)	\$ (20,569)	\$ 6,496

The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2014, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2014, are as follows (amounts expressed in thousands).

	Change in Fair Value		Fair Value at June 30, 2014		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay fixed interest rate swaps.....	Deferred outflow	\$ 6,496	Debt	\$ (20,569)	\$ 246,285

The fair value of the swaps is based on market value and is affirmed by an independent advisor whose valuation method and assumptions are in accordance with accounting guidance issued by GASB. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

As of June 30, 2014, all of the Administration's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

Maryland Water Quality Financing Administration (Administration) – Revenue Bonds:

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 2.6% to 4.1%, payable semiannually, with annual installments from \$1,235,000, to \$9,545,000, to March 1, 2029. The principal amount outstanding as of June 30, 2014, was \$185,636,000. These bonds were payable solely from the revenue, money or property of the Administration. During fiscal year 2014, the Administration issued \$100,000,000, in Bay Restoration Bonds, Series 2014, with an interest rate of 2.6% due serially through March 2029.

Maryland Transportation Authority Bonds

Bonds outstanding as of June 30, 2014, were as follows (amounts expressed in thousands).

Series 1992 Capital appreciation TEST refunding and financing revenue bonds for the Authority's Transportation Facilities Projects maturing in annual installments of original principal ranging from \$2,818 to \$3,000 from July 1, 2014, to July 1, 2015, with approximate yields to maturity ranging at 6.4% and an accreted amount	\$ 5,818
BWI Consolidated Car Rental Facility Revenue bonds, Series 2002, maturing in annual installments ranging from \$2,710 to \$8,505 from July 1, 2014, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually.....	96,495
BWI Airport Parking Revenue Refunding Bonds, Series 2012A and 2012B, maturing in annual installments ranging from \$11,320 to \$16,455 from March 1, 2015, to March 1, 2027, with interest rates ranging from 4.0% to 5.0% payable semiannually	171,180
WMATA Metrorail Parking Projects Bonds, Series 2004, maturing in annual installments ranging from \$1,440 to \$2,780 from July 1, 2014, to July 1, 2028, with interest rates ranging from 3.0% to 5.0%, payable semiannually	30,480
Series 2004 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$7,105 to \$15,235 from July 1, 2014, to July 1, 2034, with interest rates ranging from 5.0% to 5.3% payable semiannually.....	68,970
Calvert Street Parking Project Revenue bonds, Series 2005, maturing in annual installments ranging from \$715 to \$1,415 from July 1, 2014, to July 1, 2032, with interest rates ranging from 3.3% to 4.4% payable semiannually.....	19,300
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from \$28,335 to \$34,390 from March 1, 2015, to March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project.....	156,430
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$1,125 to \$12,685 from July 1, 2014, to July 1, 2041, with interest rates ranging from 4.0% to 5.0% payable semiannually.....	297,905
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$9,615 to \$31,070 from July 1, 2014, to July 1, 2041, with interest rates ranging from 4.8% to 5.1% payable semiannually.....	555,175
Series 2008 A Revolving loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA), for the Intercounty Connector Project maturing to July 1, 2047 with a fixed interest rate at 2.6% and an accreted amount	397,497
Series 2009 Revenue Bonds, for construction and improvements of Authority's Transportation Facilities projects, maturing from July 1, 2016 to July 1, 2043, with interest rates ranging from 3.0% to 5.9% payable semiannually	549,385
Series 2010 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects maturing from July 1, 2015 to July 1, 2041, with interest rates ranging from 3.0% to 5.8% payable semiannually.....	326,435
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from \$38,000 to \$48,865 from March 1, 2015, to March 1, 2020, with an interest rate of 4.3% payable semiannually to finance the Intercounty Connector Highway Project.....	259,345
Passenger Facility Charge Revenue Bonds, Series 2012A, maturing in annual installments of \$1,870 to \$3,780 from June 1, 2015 to June 1, 2032, with interest rates ranging from 0.7% to 4.3% payable semiannually.....	47,275
Series 2012 Revenue Refunding Bonds maturing in annual installments of \$3,615 to \$6,225, from July 1, 2016 to July 1, 2029, with interest rates ranging from 3.0% to 5.0% payable semiannually	67,610

Passenger Facility Charge Revenue Bonds, Series 2012B, maturing in annual installments of \$5,570 to \$7,765 from June 1, 2015 to June 1, 2027, with interest rates ranging from 0.6% to 2.7% payable semiannually.....	86,610
Variable Passenger Facility Charge Revenue Bonds, Series 2012C, via sinking fund payments of \$43,400 through June 1, 2032, with a current variable rate of .09%	43,400
Unamortized premium.....	63,221
Total.....	<u>\$ 3,242,531</u>

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed for BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. Capital appreciation bonds payable and TIFIA bonds included accreted amounts of \$4,330,000, and \$13,519,000, respectively, as of June 30, 2014.

Grant and Revenue Anticipation Bonds (GARVEE Bonds) are payable from a portion of Maryland's future Federal highway aid and other pledged monies. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State.

Subsequent to June 30, 2014, on July 1, 2014, the Authority redeemed with cash \$54,495,000, of the remaining outstanding Transportation Facilities Projects Revenue Bonds, Series 2004. On September 24, 2014, the Authority sold Lease Revenue Refunding Bonds, Series 2014, to fully redeem \$29,040,000, of Lease Revenue Bonds, Series 2004, in order to achieve debt service savings.

Obligations Under Capital Leases –

Obligations of business-type activities under capital leases as of June 30, 2014, were as follows (amounts expressed in thousands).

Years Ending June 30,	Maryland Lottery and Gaming Control Agency (MLGCA)
2015.....	\$ 9,287
2016.....	<u>8,680</u>
Total minimum lease payments.....	17,967
Less: Imputed interest.....	<u>487</u>
Present value of net minimum lease payments.....	<u>\$ 17,480</u>

The MLGCA has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2014, assets acquired under leases and the related accumulated amortization totaled \$68,286,000, and \$57,933,000, respectively, and were included in capital assets in the Statement of Net Position, Business-type Activities.

Department of Housing and Community Development (DHCD) State Funded Loan Programs – Note Payable

In April 2010, the DHCD obtained a loan from the John D. and Catherine T. MacArthur Foundation to preserve affordable housing for low-income persons and families near military bases in counties in Maryland impacted by the Base Realignment and Closure initiative (BRAC). In fiscal year 2012, several Maryland counties committed matching funds for participation in the BRAC. As of June 30, 2014, total notes payable for BRAC are \$4,472,000. This balance includes the loans received from the MacArthur Foundation as well as several Maryland counties. The loans bear interest at the rate of 2%, and are committed for no less than 10 years.

C. Notes and Revenue Bonds Payable – Component Units:

Higher Education –

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0% - 6.1% on the revenue bonds.

Debt service requirements to maturity were as follows (amounts expressed in thousands):

Year Ending June 30,	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2015.....	\$ 6,991	\$ 1,149	\$ 85,165	\$ 53,232
2016.....	6,492	1,033	89,270	49,475
2017.....	5,383	923	88,890	45,447
2018.....	4,263	1,231	88,195	41,531
2019.....	3,286	1,559	88,405	37,525
2020-2024.....	48,948	4,484	385,575	132,734
2025-2029.....	468		274,610	60,107
2030-2034.....			114,040	10,402
2035-2039.....			945	90
Total.....	75,831	10,379	1,215,095	430,543
Accumulated accreted interest, premiums and discounts...			73,302	
Total.....	\$ 75,831	\$ 10,379	\$ 1,288,397	\$ 430,543

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2014, higher education institutions have defeased debt outstanding of \$165,028,000, resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

As of June 30, 2014, cash and investments were held by the trustees for the higher education institutions in the amount of \$118,020,000, for the University System of Maryland (System), \$119,000, for St. Mary's College of Maryland, and \$4,624,000, for Morgan State University.

On February 5, 2014, University System of Maryland issued \$139,900,000, of 2014 Series A Bonds and \$11,580,000, of 2014 Refunding Series B Bonds at interest rates ranging from 2.0% to 5.0% maturing from 2015 to 2034 for refinancing, construction, and university facilities renewal. The reduction in future debt service was \$583,000. The economic gain on the transaction was \$560,000.

Obligations under capital leases of \$13,561,000, existed as of June 30, 2014, and bore interest at annual rates ranging from 1.0% to 6.8%.

Maryland Stadium Authority (Authority) – Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2015.....	\$ 35,340	\$ 8,258
2016.....	21,385	7,082
2017.....	20,899	6,208
2018.....	21,738	5,290
2019.....	22,251	4,319
2020-2024.....	60,649	10,636
2025-2026.....	12,615	1,252
Total.....	194,877	43,045
Unamortized premium net of unamortized discounts.....	7,022	
Total.....	\$ 201,899	\$ 43,045

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, convention center expansions in Baltimore City and the Town of Ocean City and certain other facilities. The outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2014, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium.....	\$ 86,411	0.8% to 6.1%	December 15, 2023
Football Stadium.....	59,255	Variable	March 1, 2026
Baltimore City Convention Center.....	4,765	Variable	December 15, 2014
Ocean City Convention Center.....	2,755	2.3%	December 15, 2015
Hippodrome Performing Arts Center.....	16,381	0.7% to 2.5%	June 15, 2022
Montgomery County Conference Center.....	14,248	4.0% to 5.0%	June 15, 2024
Camden Station.....	6,460	3.0% to 5.2%	December 15, 2024
Camden Yards Complex.....	11,624	1.3% to 5.6%	January 1, 2018
Total.....	\$ 201,899		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, worker's compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The worker's compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during the fiscal year 2014 were as follows (amounts expressed in thousands).

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability.....	\$ 16,644	\$ 9,803	\$ 9,761	\$ 16,686	\$ 8,705
Employee health benefits.....	99,500	1,259,900	1,253,500	105,900	105,900
Workers' compensation.....	228,064	62,193	56,897	233,360	26,466
Governmental activities self-insurance costs.....	344,208	1,331,896	1,320,158	355,946	141,071
Business-type activities workers' compensation...	12,350	3,485	2,655	13,180	2,043
Component units workers' compensation.....	35,829	9,755	7,220	38,364	5,946
Total self-insurance costs.....	\$ 392,387	\$1,345,136	\$1,330,033	\$407,490	\$149,060

As of June 30, 2014, the Program held \$296,409,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2013 were as follows (amounts expressed in thousands):

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability.....	\$ 16,717	\$ 9,079	\$ 9,152	\$ 16,644	\$ 7,075
Employee health benefits.....	91,450	1,172,197	1,164,147	99,500	99,500
Workers' compensation.....	224,076	56,359	52,371	228,064	26,790
Governmental activities self-insurance costs.....	332,243	1,237,635	1,225,670	344,208	133,365
Business-type activities workers' compensation.....	11,851	3,468	2,969	12,350	1,914
Component units workers' compensation.....	35,882	6,981	7,034	35,829	5,553
Total self-insurance costs.....	\$379,976	\$1,248,084	\$1,235,673	\$392,387	\$140,832

As of June 30, 2013, the Program held \$342,060,000, in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net position is \$12,086,503,000. A portion of the deficit results from the State incurring a debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category. As of June 30, 2014, the State had reported outstanding general obligation bonds and capital leases applicable to these non-State projects of \$5,526,959,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of \$6,559,544,000.

The statement of net position for the primary government reported \$2,288,041,000 of restricted net position, including \$207,499,000, restricted by enabling legislation.

Detail of the fund balance categories and classification shown in the aggregate on the governmental funds balance sheet is as follows (amounts in thousands):

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable - Prepaid items, inventories and long-term loans and notes receivable.....	\$ 495,542	\$ 192,871		\$ 688,413
Restricted:				
Debt service			\$ 207,499	207,499
Other purposes	6,501			6,501
Committed:				
State Reserve Fund.....	772,533			772,533
Maryland Health Insurance Plan.....	138,406			138,406
AIDS Drug Assistance.....	66,420			66,420
Community Health Resource Commission.....	13,867			13,867
Other health and mental hygiene.....	73,940			73,940
Aid for higher education	13,929			13,929
Human resources.....	2,053			2,053
Public safety.....	74,323			74,323
Transportation.....		162,268		162,268
Mortgage Services Settlement Fund.....	40,403			40,403
Public Utility Customer Investment Fund.....	81,555			81,555
Other judicial	34,047			34,047
Labor, licensing and regulation.....	25,831			25,831
Outdoor recreation.....	29,036			29,036
Watershed services	24,264			24,264
Waterway improvements.....	16,018			16,018
Ocean beach replenishment.....	7,587			7,587
Other natural resources and recreation.....	24,266			24,266
Housing and community development.....	7,609			7,609

Environment.....	29,207			29,207
Agriculture	14,843			14,843
Business and economic development.....	16,331			16,331
Capital projects.....			628,816	628,816
Other purposes	47,116			47,116
Unassigned	<u>(916,302)</u>	<u> </u>	<u>(414,043)</u>	<u>(1,330,345)</u>
Total fund balances	\$ 1,139,325	\$ 355,139	\$ 422,272	\$ 1,916,736

A portion of the general fund's committed fund balance, in the amount of \$772,533,000, as of June 30, 2014, includes the State Reserve Fund, which consists primarily of the Revenue Stabilization Account with a balance of \$763,588,000. The Revenue Stabilization Account is authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code of Maryland. Appropriations are required to the Revenue Stabilization Account when the unappropriated general fund surplus of the second preceding fiscal year exceeds \$10,000,000. Appropriations are also required in years when the account balance is less than 7.5% of estimated general fund revenues. If the account balance is at least 3% but less than 7.5%, an appropriation of \$50,000,000, or whatever lesser amount is necessary to bring the account balance to 7.5% of estimated general fund revenues is required; if the account balance is less than 3%, the required appropriation is \$100,000,000.

Transfer of funds from the Revenue Stabilization Account may occur only to support the operation of State government on a temporary basis and only in amounts that are not otherwise offset by reductions made by the General Assembly in the general fund appropriations. These circumstances are not expected to occur routinely.

Transfer of funds from the account that does not result in a balance below 5% of estimated general fund revenues must be authorized by (1) an act of the General Assembly or (2) a specific provision of the State budget bill as enacted. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly other than the budget bill. The use of a budget amendment for fund transfer is prohibited.

The unrestricted deficit in net position in other enterprise funds of \$11,733,000, for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

Summary financial information for the two loan programs is presented below:

Condensed Statement of Net Position As of June 30, 2014 <i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets.....	\$ 781,365	\$ 62,126
Non-current restricted assets.....	<u>2,233,772</u>	<u>378,157</u>
Total assets.....	<u>3,015,137</u>	<u>440,283</u>
Liabilities		
Current liabilities.....	235,842	9,072
Non-current liabilities.....	<u>2,376,842</u>	<u>179,075</u>
Total liabilities.....	<u>2,612,684</u>	<u>188,147</u>
Net position:		
Restricted.....	<u>402,453</u>	<u>252,136</u>
Total net position.....	\$ 402,453	\$ 252,136

Condensed Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2014 <i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income.....	\$ 107,545	\$ 5,500
Other operating revenues.....	8,295	
Other operating expenses.....	<u>(61,985)</u>	<u>(113,916)</u>
Operating Income.....	53,855	(108,416)
Non-operating revenues (expenses).....	<u>(65,506)</u>	<u>(47,635)</u>
Change in net position.....	(11,651)	(156,051)
Total net position - beginning, as restated.....	<u>414,104</u>	<u>408,187</u>
Total net position - ending.....	\$ 402,453	\$ 252,136

Condensed Statement of Cash Flows For the Year Ended June 30, 2014 <i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Net cash from:		
Operating activities.....	\$ 242,210	\$ (57,834)
Non-capital financing activities.....	(365,661)	52,788
Investing activities.....	137,343	5,100
Beginning cash and cash equivalents....	<u>493,274</u>	<u>16</u>
Ending cash and cash equivalents.....	\$ 507,166	\$ 70

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is a sole employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 138 participating political subdivision or other entities within the State.

The System is made up of two cost sharing pools: The “State Pool” and the “Municipal Pool”. Neither pool participates in the liabilities of the other. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. The non-state entities’ only liability is to make the contribution determined by the System. Retirement benefits are paid from the System’s pooled assets rather than from assets relating to a particular plan participant. If the required contribution of municipal pool members is insufficient to fund the actuarial liabilities of the pool, the contribution is required to be revised. Remaining members of the municipal pool are required to make the payment of benefits to all employees vested with the pool. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits if the municipal pool is unable to pay benefits. The System is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. The System is accounted for as a single plan as defined by the codification of the Governmental Accounting Standards Board (GASB) for accounting for defined benefit pension plans.

The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System’s Board of Trustees. All State employees and employees of participating entities are covered by the plans.

“Retirement System” – retirement programs for substantially all State employees, teachers, State Police and judges who are not members of the State Pension System.

“Pension System” – retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. For participants enrolled prior to July 1, 2011, vesting occurs after five years of service. A member terminating employment before attaining retirement age, but after completing five years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age of 62 with five years of service, or after completing 30 years of service credit, regardless of age. State Police members enrolled prior to July 1, 2011, may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System members is equal to $1/55$ (1.8%) of the member’s highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System enrolled prior to July 1, 2011, will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member’s highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member’s highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service.

For new Pension System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest

consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average final salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System (LEOPS) is 2.0% of the member's highest three-consecutive year average final salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement. Other reforms similar to those enacted for System employees and teachers were enacted for other systems in the State Pool.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates and the actuarial accrued liability are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Effective July 1, 1980, in accordance with the law governing the System, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' fixed percentage of their regular salaries and wages, 7% or 5%, depending on the retirement plan selected. Under the 2011 Pension Reforms, members of the Pension System are required to contribute to the System 7% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5% of the regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 7% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the General Assembly of the State of Maryland. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. As initially established, this method effectively maintained the contribution rate in effect for the Teacher's and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in benefit structure) as long as such systems remained between 90 percent and 110 percent funded. If either system fell below 90 percent funded (i.e. below the corridor), then the contribution rate in effect for the subsequent fiscal year would be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System and the Judges' Retirement System remains unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

The Board adopted new economic assumptions for the June 30, 2014 valuation, in particular, an investment return assumption of 7.65% and an inflation assumption of 2.90%. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

The net change due to the aforementioned items to the actuarial accrued liability (AAL) was \$62 million for the combined State and Municipal Systems, as of June 30, 2014.

The benefit attribution method was changed for the Teachers' Combined System and the Employees' Combined System resulting in a change to the AAL of \$208 million for the combined State and Municipal Systems.

Disabled mortality tables were adjusted for State Police and LEOPS resulting in a change to the AAL of \$50 million for the combined State and Municipal Systems.

During fiscal year 2014, for the State Pool, the State paid \$1,592,376,000, of the required contribution totaling \$2,190,348,000, which was 16.4% of covered payroll and 72.7% of the required payment. The difference represents an additional pension cost liability in the government-wide statement of net position. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2014, the State's membership includes 167,816 active members, 45,416 vested former members, and 126,558 retirees and beneficiaries.

In the First Special Session of 2012, the General Assembly enacted legislation that requires local school boards to pay a portion of the actuarially determined normal cost of local teachers' retirement phased in beginning in fiscal year 2013 until fiscal year 2017 when the local school boards will pay 100% of normal cost.

The annual pension cost and net pension obligation as of June 30, 2014, were as follows (amounts expressed in thousands).

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System
Annual required contribution	\$ 1,358,991	\$ 689,173	\$ 64,325	\$ 21,109	\$ 46,117
Interest on net pension obligation	106,520	114,710	4,570		
Actuarial adjustment to annual required contribution	(105,872)	(105,829)	(3,466)		
Annual pension cost	1,359,639	698,054	65,429	21,109	46,117
Contributions made	1,000,192	468,714	56,244	21,109	46,117
Increase in net pension obligation	359,447	229,340	9,185		
Net pension obligation, beginning of year ..	1,383,375	1,489,746	59,348		
Net pension obligation, end of year	\$ 1,742,822	\$ 1,719,086	\$ 68,533	\$ -	\$ -
Amortization period (years rolling)	19.0	21.3	30.0	13.9	15.5

Three year historical trend information for the System (State Pool) was as follows (amounts expressed in thousands).

Plan	Annual Pension Cost As of June 30		
	2014	2013	2012
Teachers' Retirement and Pension System. . .	\$ 1,359,639	\$ 1,267,961	\$ 1,292,651
Employees' Retirement and Pension System. .	698,054	658,024	619,979
State Police Retirement System	65,429	60,273	55,262
Judges' Retirement System	21,109	24,062	24,077
Law Enforcement Officers' Pension System. . .	46,117	41,048	41,868

Plan	Percentage of Annual Pension Cost Contributed As of June 30		
	2014	2013	2012
Teachers' Retirement and Pension System. . .	74%	77%	71%
Employees' Retirement and Pension System. .	68	66	59
State Police Retirement System	87	85	86
Judges' Retirement System	100	100	100
Law Enforcement Officers' Pension System. . .	100	100	100

Plan	Net Pension Obligation As of June 30		
	2014	2013	2012
Teachers' Retirement and Pension System. . .	\$ 1,742,822	\$ 1,383,375	\$ 1,096,418
Employees' Retirement and Pension System. .	1,719,086	1,489,746	1,265,385
State Police Retirement System	68,533	59,348	50,404
Judges' Retirement System			
Law Enforcement Officers' Pension System. . .			

Funded status and Funding Progress:

The funded status of each plan for both the State and Municipal Pools, as of June 30, 2014, the most recent valuation date, was as follows (amounts expressed in thousands):

Plan	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
State Pool						
Teachers' Retirement and Pension System. . . .	\$26,067,577	\$36,882,587	\$(10,815,010)	70.68%	\$ 6,310,253	(171)%
Employees' Retirement and Pension System. . .	11,039,950	17,823,007	(6,783,057)	61.94	3,177,701	(213)
State Police Retirement System.	1,241,758	1,966,572	(724,814)	63.14	85,660	(846)
Judges' Retirement System	389,072	459,447	(70,375)	84.68	42,313	(166)
Law Enforcement Officers' Pension System. . .	538,907	895,689	(356,782)	60.17	93,027	(384)
Total State Pool	\$39,277,264	\$58,027,302	\$(18,750,038)	67.69%	\$ 9,708,954	(193)%
Municipal Pool						
Employees' Retirement and Pension System. .	\$ 3,507,439	\$ 4,236,757	\$ (729,318)	82.79%	\$ 1,037,279	(70)%
Law Enforcement Officers' Pension System. .	193,426	326,448	(133,022)	59.25	52,646	(253)
Correctional Officers' Retirement System . . .	18,827	19,685	(858)	95.64	4,752	(18)
Total Municipal Pool.	\$ 3,719,962	\$ 4,582,890	\$ (863,198)	81.16%	\$ 1,094,677	(79)%

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2014, the most recent valuation date.

Valuation method.	Individual Entry Age Normal Cost Method
Cost method of valuing assets	Five-year smoothed market (maximum 120% and minimum 80% of market value)
Rate of return on investments	7.65%
Projected payroll growth including wage inflation at 3.4%. . . .	3.40%-10.65%
Discount rate.	7.65%
Postretirement benefit increase.	2.65% - 3.40% for service prior to July 1, 2011 1.68% - 3.40% for service after June 30, 2011 (depending on system and provisions)
Mortality.	RP-2000 Combined Healthy Mortality Table projected to the year 2025
Amortization method.	Level Percentage of Payroll
Amortization period.	24 years as of June 30, 2014 for all UAAL
Status of period (Open or Closed).	Closed

GASB Statement No.67 replaced current accounting standards for reporting pension plan information beginning in fiscal year 2014. Employer accounting for pension continues to be based on previously-existing standards, such as calculation of the actuarial accrued liability pension cost, and net pension obligation. GASB Statement No.68, which will affect employer pension accounting beginning in fiscal year 2015, will use the assumptions and methods included in Statement No.67. The System's report can be found at <http://www.sra.maryland.gov/Agency/Downloads/CAFR/CAFR-2014.pdf>. The significant provisions of GASB Statement No.67 include:

- Reporting a Total Pension Liability (TPL) , similar to an accrued actuarial liability, and basing future employer funding on the amortization of this amount;
- Using a blended discount rate to calculate future liabilities for accounting purposes, to the extent that assets attributable to current members are not sufficient to pay all benefit payments;
- Using the market value of assets to calculate net pension liability, similar to the unfunded accrued actuarial liability.

The TPL at beginning of the measurement year is measured as of a valuation date of July 1, 2013. The TPL at the end of the measurement year, June 30, 2014, is measured as of a valuation date of July 1, 2014.

The components of the net pension liability are as follows (amounts expressed in thousands):

	Teachers' Retirement and Pension System	Employees' Retirement and Pension Systems	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Total
Total pension liability	\$ 37,324,936	\$ 22,097,648	\$ 1,976,338	\$ 460,230	\$ 1,227,567	\$ 63,086,719
Plan fiduciary net position.	(27,491,055)	(15,365,014)	(1,306,547)	(408,883)	(768,489)	(45,339,988)
Employer net pension liability. ...	\$ 9,833,881	\$ 6,732,634	\$ 669,791	\$ 51,347	\$ 459,078	\$ 17,746,731
Plan fiduciary net position as a percentage of the total pension liability.	73.65%	69.53%	66.11%	88.84%	62.60%	71.87%

A single discount rate of 7.65% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.65%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

System	1% Decrease 6.65%	Discount Rate 7.65%	1% Increase 8.65%
State Pool			
Teachers' Retirement and Pension System.	\$14,572,359	\$ 9,833,881	\$ 5,872,403
Employees' Retirement and Pension System.	8,286,104	6,175,026	4,395,518
State Police Retirement System.	924,726	669,790	461,757
Judges' Retirement System.	98,744	51,348	10,848
Law Enforcement Officers' Pension System.	446,763	330,520	234,877
Total State Pool's Net Pension Liability.	\$24,328,696	\$17,060,565	\$10,975,403
Municipal Pool			
Employees' Retirement and Pension System.	\$ 1,065,707	\$ 557,462	\$ 127,677
Law Enforcement Officers' Pension System.	177,885	128,558	88,452
Correctional Officers' Retirement System.	2,985	146	(2,194)
Total Municipal Pool's Net Pension Liability.	\$ 1,246,577	\$ 686,166	\$ 213,935

The annual money-weighted rate of return, net of investment expenses, on System investments for the year ended June 30, 2014, was 14.4%. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)(2)(ii), of the Annotated Code of Maryland. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service (seven years for participants hired after May 18, 2013).

As of June 30, 2014, membership in the Plan includes 2,639 active members, 480 vested former members, and 1,669 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets. For the year ended June 30, 2014, the Administration's covered and total payroll was \$135,545,000.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

During fiscal year 2014, the administration paid \$39,749,000, of the required contribution totaling \$39,749,000, which was 29.3% of covered payroll and 100.0% of the required payment. The annual pension cost consisted of \$6,364,000, normal cost and \$33,385,000, amortization of the actuarial accrued liability (4.7% and 24.6%, respectively, of covered payroll). The liquidation period for the actuarial accrued liabilities starting at June 30, 2002, as provided by law, is 5 years from June 30, 2014.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost and net pension obligation as of June 30, 2014, were as follows (amounts expressed in thousands).

Annual required contribution (ARC).....	\$ 40,807
ARC adjustment.....	290
Interest on net pension obligation.....	<u>(1,348)</u>
Annual pension cost.....	39,749
Less: Contributions made.....	<u>39,749</u>
Increase in net pension obligation (asset).....	
Net pension obligation (asset), beginning of year.....	<u>(17,616)</u>
Net pension obligation (asset), end of year.....	<u>\$ (17,616)</u>
Amortization period.....	12.1 years

The net pension asset of \$17,616,000, is included in prepaid items in the governmental activities column of the government-wide statement of net position.

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	\$39,749	100%	\$ (17,616)
2013	34,582	85	(17,616)
2012	32,859	115	(22,679)

Funded Status and Funding Progress:

As of June 30, 2014, the most recent actuarial valuation date, the plan was 44.6% funded. The actuarial accrued liability for benefits was \$515,328,000, and the actuarial value of assets was \$230,072,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$285,255,000. The covered payroll (annual payroll of active employees covered by the plan) was \$135,545,000, and the ratio of the UAAL to the covered payroll was (210.5%).

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2014, the most recent valuation date.

Valuation method.....	Entry Age Normal, Level Dollar
Cost method of valuing assets	Five year open period smoothing (Market Value vs. Expected Actuarial Value)
Rate of return on investments.....	7.65%
Inflation Rate.....	3.5%
Rate of salary increase.....	3.5%- 9.5%
Postretirement benefit increase.....	Preceding Year Consumer Price Index, capped at 3%
Mortality.....	Non-Disabled Retirees-RP2000 Disabled Retirees-RP2000 Disabled Retiree Mortality
Amortization method.....	Level dollar (years depend on type of base)
Remaining amortization period.....	12.1 years weighted average
Status of period (Open or Closed).....	Closed

The assumptions and methods used in determining the actuarial accrued liability, and accordingly, the employer's contribution, are not the same as the assumptions and methods used in determining the total pension liability. The total pension liability (TPL) is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No.67. The Plan's report can be found on the Maryland Department of Transportation's website at the following link: http://www.mdot.maryland.gov/Office_of_Finance/index.html.

Differences between the two measurements result from the following,

- The TPL is based on the entry age normal level present of pay method whereas the employer's contribution is based on the entry age normal level dollar method;
- The TPL assumes an annual cost of living adjustment of 2.5% per year whereas the employer's contribution assumes no additional cost of living adjustments; and
- The TPL assumes the benefit cap will increase 2.0% per year whereas the employer's contribution assumes no further increase in the benefit cap.

The TPL at beginning of the measurement year is measured as of a valuation date of July 1, 2013. The TPL at the end of the measurement year, June 30, 2014, is measured as of a valuation date of July 1, 2014.

The components of the net pension liability are as follows (amounts expressed in thousands).

Total pension liability.....	\$841,351
Less: Plan fiduciary net position.....	211,303
Net pension liability.....	<u>\$630,048</u>
Plan fiduciary net position as a percentage of total pension liability	25.1%

Changes on the discount rate affect the measurement of the TPL. The discount rate as of June 30, 2014, is 5.24% which is a blend of the assumed long-term expected rate of return of 7.65% (including administrative expenses of 0.65%) on Plan investments and a municipal bond index rate of 4.29%. The long-term rate assumes a return made in accordance with investments described in note 2.A. The municipal bond rate is determined from the Bond Buyer General Obligation 20-year Bond Municipal Bond Index. Projections of the Plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current plan member beyond June 30, 2034, and accordingly, the portion of future projected

benefit payments beyond that date are no longer discounted at the long-term rate that are discounted at the municipal bond rate. Employer contributions to the Plan are assumed to be made evenly throughout the year.

The Plan's assets are allocated in accordance with investments described in Note 2.A. The net pension liability of the MTA calculated using the discount rate of 5.24% as well as what the MTA's net pension liability would be if it were calculated using a discount rate that is 1% lower (4.24%) or 1% higher (6.24%) than the current rate, is as follows (amounts expressed in thousands):

	1% Decrease 4.24%	Discount Rate 5.24%	1% Increase 6.24%
Total Pension Liability.....	\$ 953,904	\$ 841,351	\$ 747,062
Plan Fiduciary Net Position.....	<u>211,303</u>	<u>211,303</u>	<u>211,303</u>
Net Pension Liability.....	<u>\$ 742,601</u>	<u>\$ 630,048</u>	<u>\$ 535,759</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	22.2%	25.1%	28.3%

The annual money-weighted rate of return, net of investment expenses, on Plan investments for the year ended June 30, 2014, was 15.0%. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code Section 401(a). Under plan provision, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plan during the same plan year. By statute, the maximum amount contributed to this plan for each participant is \$600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. During the year ended December 31, 2013, the State suspended the match contribution. For the plan year ended December 31, 2013, the State contributed \$40,000, to the 401(a) plan and participants contributed \$58,119,000, \$2,538,000, and \$ 82,602,000, to the 457, 403(b), and 401(k) plans, respectively.

16. Other Postemployment Benefits, Health Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program:

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 – 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the State Retirement and Pension System. A separate audited GAAP-basis postemployment benefit plan report is not available for the defined benefit healthcare plan.

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed \$100,000 annually.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. For members hired on or after July 1, 2011, they are required to have completed at least 25 years of creditable service, retired directly from State service with at least ten years of creditable service, or ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin. As of July 1, 2014, the State's Plan membership includes 79,043 active employees, 3,467 vested former employees, and 66,655 retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. For the fiscal year ended June 30, 2014, retiree plan members contributed \$79,200,000, or approximately 16.4% of total retiree premiums, and the State contributed \$402,794,000. During fiscal year 2014, the State did not appropriate funds to the OPEB Trust to prefund future OPEB costs.

Annual OPEB Cost and Net OPEB Obligation:

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2014 (amounts expressed in thousands).

Annual required contribution (ARC)	\$ 576,050
ARC Adjustment	(156,525)
Interest on net OPEB obligation – beginning of year	<u>160,947</u>
Total Annual OPEB Cost (AOC)	580,472
Less: Contributions made	<u>402,794</u>
Increase in net OPEB obligation	177,678
Net OPEB obligation – beginning of year	<u>3,787,000</u>
Net OPEB obligation – end of year	<u>\$ 3,964,678</u>
Percentage of annual OPEB cost contributed	69.4%

Three year historical trend information for the Plan is as follows (amounts expressed in thousands):

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2014	\$ 580,472	69.4%	\$ 3,964,678
6/30/2013	648,556	60.6%	3,787,000
6/30/2012	718,744	53.7%	3,531,522

Funded Status:

As of June 30, 2014, the most recent actuarial valuation date, the OPEB Trust was 2.8% funded. The actuarial accrued liability for benefits was \$8,964,286,000, and the actuarial value of assets was \$250,110,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,714,176,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 2.8%. The covered payroll (annual payroll of active employees covered under the Plan) was \$4,803,627,000, and the ratio of the UAAL to the covered payroll was (181.4%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2014.

Actuarial cost method.....	Entry Age Normal (percent of pay)
Asset valuation method.....	Five-year smoothed market
Rate of return on investments.....	4.35%
Inflation rate.....	3.50%
Aggregate salary growth.....	3.50%
Method to determine blended rate.....	4.35% represents an unblended pay-go rate
Healthcare cost trend rate.....	Medical: Under 65 – 7.00% graded to 4.50% over 10 years Over 65 – 6.75% graded to 4.50% over 9 years Prescription: 8.00% in 2014 graded to 5.00% over 12 years Dental: 3.50%
Amortization method.....	Level percentage of projected payroll
Amortization period.....	30 years (open)

Maryland Transit Administration Retiree Healthcare Benefit:

The Maryland Transit Administration Retiree Healthcare Benefit (MTA OPEB) provides retiree health care benefits under a collective bargaining agreement to all employees who are members of the MTA pension plan, except transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare Benefits Program. The MTA currently funds retirees' health care on a pay-as-you-go basis. The MTA does not currently have a separate fund set aside to pay health care costs.

Plan Description:

The MTA OPEB provides medical, hospitalization, prescription drug, dental and vision insurance benefits to eligible MTA employees, retirees and their dependents. Members are eligible at age 65 with five years of service or age 52 with 30 years of service provided the member is enrolled in an MTA health plan at normal retirement. Members are also eligible at age 55 if the sum of the participant's age plus years of actual credited service equals at least 85 and the participant is enrolled in an MTA health plan at early retirement. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2014, 2,369 active employees and 1,381 retirees and beneficiaries were covered by healthcare insurance provided by MTA.

Funding Policy:

Based on current practice, MTA subsidizes approximately 50% to 100% of retiree healthcare premiums depending on the type of insurance plan and whether the retiree receives Medicare. Retirees make the same contribution as active employees, however Medicare is handled separately.

Annual OPEB Cost and Net OPEB Obligation:

MTA's annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The following table shows the components of MTA's annual OPEB cost, the amount actually contributed and MTA's net OPEB obligation as of June 30, 2014 (amounts expressed in thousands).

Annual required contribution (ARC)	\$ 70,512
ARC Adjustment	(15,459)
Interest on net OPEB obligation – beginning of year	<u>9,393</u>
Total Annual OPEB Cost (AOC)	64,446
Less: Contributions made	<u>18,383</u>
Increase in net OPEB obligation	46,063
Net OPEB obligation – beginning of year	<u>221,001</u>
Net OPEB obligation – end of year	<u>\$ 267,064</u>
Percentage of annual OPEB cost contributed	28.5%

Three year historical trend information for the MTA OPEB is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2014	\$ 64,446	28.5%	\$ 267,064
6/30/2013	65,863	21.5%	221,001
6/30/2012	52,211	28.9%	169,285

Funded Status:

MTA OPEB is unfunded. As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$670,833,000. The covered payroll (annual payroll of active employees participating in MTA health plans) was \$137,596,000, and the ratio of the AAL to the covered payroll was (487.5%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2013.

Actuarial cost method.....	Entry Age Normal, Level Dollar
Rate of return on investments.....	4.25% This rate represents the long-term expected rate of return on MTA's general fund assets
Inflation rate.....	3.25%
Aggregate salary growth.....	3.50%
Healthcare cost trend rate.....	Medical: 8.00% in 2014 and decreasing to 4.5% over 12 years Prescription: 9.00% in 2014 and decreasing to 4.5% over 12 years Dental and Vision: 4.50% for all future years
Amortization method.....	Level Dollar Closed
Amortization period.....	21 years as of July 1, 2013

17. Commitments:

As noted in Note 2, encumbrance accounting is used to account for outstanding commitments for open purchase orders and unfulfilled contracts in some governmental funds. Amounts related to encumbrances are reported in the general fund, \$265,169,000, and the capital projects fund, \$628,816,000, as of June 30, 2014.

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2014, were approximately \$67,014,000.

As of June 30, 2014, the governmental funds, other than the Department of Transportation, had commitments of approximately \$168,396,000, for service contracts.

As of June 30, 2014, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$4.1 billion and \$714,525,000, respectively, for construction of highway and mass transit facilities.

Approximately 34% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases. Minimum future rental revenues are as follows (amounts expressed in thousands):

Years Ending June 30,	Amounts
2015.....	\$ 128,373
2016.....	121,107
2017.....	118,587
2018.....	115,851
2019.....	115,366
2020-2024.....	194,888
Total	\$ 794,172

The cost and accumulated depreciation of the assets as of June 30, 2014, were \$1,893,226,000, and \$653,361,000, respectively.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$147,356,000, for the year ended June 30, 2014.

As of June 30, 2014, the Maryland Lottery and Gaming Control Agency had commitments of approximately \$417,036,000, for services to be rendered relating principally to the operation of, and advertising for, the lottery games and the operation of the gaming program.

As of June 30, 2014, the enterprise fund loan programs had committed to lend a total of \$456,585,000, in additional loans and had committed \$4,380,000 for service contracts. The Community Development Administration, also an enterprise fund loan program, had \$422,160,000, of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

As of June 30, 2014, the higher education fund had commitments of approximately \$459,759,000, for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2014, economic development loan programs were contingently liable to financial institutions for \$3,274,000, for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of \$192,026,000, of \$297,156,000, mortgage loans made by public and private lenders, which decreased significantly as a result of the termination in May 2014 of a Reinsurance Pool Program with the Economic Development Loan Programs. This program insured 50% of any losses incurred on loans originated between 2005 and 2010, which had only 35% mortgage insurance, up to \$12,500,000, which was reached in fiscal year 2014.

Non-major component units were contingently liable as insurers of \$14,721,000, of \$53,300,000, economic development and growth bonds issued by financial institutions. As of June 30, 2014, there were approved economic development bonds pending settlement which were insured by non-major component units for \$5,540,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2014, the State has recognized a liability of \$20,628,000, in the general fund for Medicaid claims to the federal government related to disallowed reimbursements. The State estimates that no additional material liabilities will result from such audits.

19. Tobacco Settlement:

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriations are made. During the 2003 legislative session, legislation was enacted requiring that .15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of \$80,354,000, were made from the proceeds in the Cigarette Restitution fund for fiscal year 2014 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2014 was \$82,213,000, including the award from the arbitration panel for attorney fees. This amount does not include \$16,900,000, the tobacco companies paid to the disputed account pending the outcome of litigation. Maryland's fiscal year 2014 share was reduced by approximately \$67 million due to an arbitration decision regarding the improper enforcement of tobacco laws. The fiscal year 2015 forecast assumes that the State will recover \$40 million due to an anticipated successful appeal of a portion of the arbitration decision, but the timing of the recovery is unclear.

It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2019 will total \$3.09 billion of which \$149,873,000, was paid to outside counsel. The actual amount paid each year, however, will reflect

adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive \$102,874,000, during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure and Postclosure Care Costs:

State and Federal laws require the Maryland Environmental Service (the Service) to cover and to perform certain maintenance and monitoring functions at Midshore Regional Landfill I, Easton Landfill, Midshore II and Hobbs Road Landfill sites. Although closure and postclosure care costs will be paid near or after the date the landfills stop accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfills. Midshore I's current cells are approximately 93% filled as of June 30, 2014. The landfill stopped accepting waste on December 31, 2010. Total closure and postclosure care costs for the landfill are currently estimated to be \$10,531,000, as determined through engineering studies, and \$8,482,000, has been recognized as a liability on the June 30, 2014, Combining Statement of Net Position, Non-Major Component Units.

A flyover is performed annually in July to assist in the calculation of the landfill's remaining capacity based upon the volume of cubic yard capacity. Midshore II's current cells, which are expected to close in 2053, are approximately 9% filled as of June 30, 2014. Total closure and postclosure care costs for the landfill are currently estimated to be \$17,531,000, as determined through engineering studies, and \$1,336,000, has been recognized as a liability as of June 30, 2014. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2013. The Service expects to satisfy these requirements as of June 30, 2014, using the same criteria.

21. Service Concession Arrangements:

In fiscal year 2013, the Maryland Department of Transportation entered into a long-term lease with Ports America Corporation (PAC) to manage, operate and maintain the Dundalk Marine terminal. This agreement satisfies the criteria established to be considered a service concession arrangement.

Under the terms of the ground lease, the Department transfers rights to PAC for a term of 50 years. After 50 years the Department has the option to buy PAC's equipment. PAC charges and collects fees from the user for container lifts, short tons of roll on-roll off, break-bulk and bulk cargo and pays the operating costs, management fee and debt service associated with the project. The Department has the ability to approve what services the operator is required to provide.

As of June 30, 2014, the capital assets, net of accumulated depreciation, and deferred service concession arrangement receipts were \$52,078,000.

In fiscal year 2013, Maryland Transportation Authority and Areas USA entered a 35-year Service Concession Arrangement (SCA) agreement to redevelop and operate two travel plazas along the John F. Kennedy Memorial Highway (I-95). The structure of the agreement between the Authority and Areas USA is a long term lease and concession. The Authority retains ownership of the property and assets. All property and improvements, with the exception of the fueling systems, are returned to the Authority at the end of the 35 year lease. Under the agreement, the Authority should realize reduced future operating and capital expenses; debt capacity will be reserved for core business activities; and revenue is guaranteed over the life of the agreement. Areas USA invested \$55,890,000, which required no public subsidy or debt, to redesign and rebuild both the 48-year-old Maryland House and the 36-year-old Chesapeake House travel plazas.

Areas USA will operate and maintain the travel plazas through the year 2047. The redeveloped Maryland House travel plaza opened in January 2014, and the new Chesapeake House travel plaza opened in August 2014. The Authority recognized a deferred inflow of resources of \$32,635,000 as of June 30, 2014, as reported on the Statement of Net Position. This represents the unamortized amount of \$2,914,000, of a one-time payment of \$3,000,000, from Areas USA (amortized over the life of the contract) and \$29,721,000 for the acquisition of the Maryland House travel plaza, that is applicable to a future reporting period.

The University System of Maryland has entered into a long-term lease of university-owned land and other SCA agreements with a quasi-governmental issuer of debt and a developer to build, and an operator to manage, student housing projects at seven of the System's institutions.

Under the terms of the ground lease, the System transfers rights to university-owned property for a term of 40 years to the quasi-governmental issuer of debt (the project 'owner'). The project owner contracts with a developer to build student housing on the property, as well as an operator that manages the facility on behalf of the owner. Each student housing project is financed using tax-exempt debt that limits the use of the project to uses that support the institution. The owner of the project charges and collects rent from the students, and pays the operating costs and debt service associated with the project. The residual cash flow from the project, after paying all operating costs and management fees, is paid to the university as the ground lease payment. The institution has the ability to approve what services the operator is required to provide and the rates that can be charged.

Upon final payment of the outstanding debt associated with the project, or upon termination of the ground lease, whichever is sooner, the building's ownership transfers to the university and the owner's rights to use land revert to the university.

As of June 30, 2014, the Statement of Net Position reflects net capital assets of \$375,751,000, and deferred service concession arrangement receipts of \$362,356,000, from this transaction.



Required Supplementary Information



STATE OF MARYLAND
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual –
Budgetary General, Special, and Federal Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	General Fund			
	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Income taxes	\$ 8,781,415	\$ 8,659,864	\$ 8,534,982	\$ (124,882)
Sales and use taxes	4,223,686	4,123,351	4,143,174	19,823
Other taxes	1,210,209	1,186,296	1,137,274	(49,022)
Licenses and fees	185,811	199,818	197,743	(2,075)
Charges for services	344,023	290,401	266,956	(23,445)
Interest and other investment income	15,000	15,000	29,838	14,838
Other	634,122	629,172	707,429	78,257
Federal revenue				
Total revenues	15,394,266	15,103,902	15,017,396	(86,506)
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State	155,467	155,467	155,467	
Public debt	83,000	83,000	83,000	
Legislative	96,681	95,359	75,772	19,587
Judicial review and legal	531,457	533,516	507,978	25,538
Executive and administrative control	280,776	277,155	267,277	9,878
Financial and revenue administration	278,279	275,980	264,618	11,362
Budget and management	122,826	57,779	49,711	8,068
Retirement and pension				
General services	62,004	62,203	61,660	543
Transportation and highways				
Natural resources and recreation	54,296	53,259	50,304	2,955
Agriculture	27,648	26,917	26,691	226
Health, hospitals and mental hygiene	3,908,435	4,070,207	4,012,904	57,303
Human resources	649,630	658,853	651,883	6,970
Labor, licensing and regulation	44,203	43,370	39,764	3,606
Public safety and correctional services	1,130,143	1,148,191	1,139,526	8,665
Public education	7,656,700	7,489,557	7,458,976	30,581
Housing and community development	11,210	11,210	5,594	5,616
Business and economic development	105,014	103,974	91,832	12,142
Environment	38,916	38,469	37,325	1,144
Juvenile services	284,526	280,351	268,663	11,688
State police	227,766	228,384	225,891	2,493
State reserve fund	55,256	55,256	55,256	
Reversions	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances	15,774,233	15,718,457	15,530,092	188,365
Excess of revenues over (under) expenditures	(379,967)	(614,555)	(512,696)	101,859
Other sources (uses) of financial resources:				
Transfers in (out)			219,106	219,106
Excess of revenues over (under) expenditures and other sources (uses) of financial resources	(379,967)	(614,555)	(293,590)	320,965
Fund balances - beginning of the year	(6,349,851)	(5,660,536)	1,321,279	6,981,815
Fund balances - end of the year	\$ (6,729,818)	\$ (6,275,091)	\$ 1,027,689	\$ 7,302,780

See accompanying Notes to Required Supplementary Information.

Special Fund				Federal Fund			
Budget Amounts		Actual Amounts	Variance Positive (Negative)	Budget Amounts		Actual Amounts	Variance Positive (Negative)
Original Budget	Final Budget			Original Budget	Final Budget		
\$ 245,539	\$ 236,529	\$ 223,850	\$ (12,679)				
47,545	32,231	52,822	20,591				
2,668,561	2,596,368	2,701,101	104,733				
789,617	799,838	761,315	(38,523)				
2,782,145	2,959,344	2,209,861	(749,483)				
2,000	7,656	11,465	3,809			\$ 1,706	\$ 1,706
871,987	1,177,687	997,246	(180,441)				
				\$ 9,781,373	\$ 10,578,899	9,769,940	(808,959)
7,407,394	7,809,653	6,957,660	(851,993)	9,781,373	10,578,899	9,771,646	(807,253)
887,744	887,744	886,332	1,412	12,381	12,381	11,406	975
131,228	136,747	114,299	22,448	7,398	10,352	8,385	1,967
331,449	361,796	265,431	96,365	321,942	402,415	284,235	118,180
120,685	124,239	116,984	7,255				
49,020	33,526	18,033	15,493	20,164	11,354	10,420	934
19,806	19,334	17,004	2,330				
3,455	3,458	3,418	40	1,158	1,151	1,150	1
3,062,515	3,343,028	3,099,492	243,536	1,010,532	979,490	890,586	88,904
202,067	188,253	111,125	77,128	37,143	40,579	27,890	12,689
62,068	79,211	55,457	23,754	5,533	5,876	3,872	2,004
1,265,875	1,251,048	1,220,431	30,617	5,131,785	5,590,755	5,315,253	275,502
101,042	132,183	105,541	26,642	1,807,579	1,912,785	1,810,078	102,707
125,937	130,239	115,418	14,821	170,891	193,364	168,667	24,697
155,954	156,208	132,060	24,148	33,777	37,202	29,701	7,501
499,108	554,844	523,292	31,552	1,234,740	1,363,370	1,003,269	360,101
146,270	153,597	84,889	68,708	321,800	322,286	260,092	62,194
130,863	137,152	79,602	57,550	2,941	24,084	4,756	19,328
709,647	709,476	164,603	544,873	84,858	84,772	73,417	11,355
4,487	5,987	4,246	1,741	7,440	8,294	7,968	326
82,959	86,369	75,057	11,312	787	9,864	4,028	5,836
8,092,179	8,494,439	7,192,714	1,301,725	10,212,849	11,010,374	9,915,173	1,095,201
(684,785)	(684,786)	(235,054)	449,732	(431,476)	(431,475)	(143,527)	287,948
		310,357	310,357			143,527	143,527
(684,785)	(684,786)	75,303	760,089	(431,476)	(431,475)		431,475
(4,880,998)	(4,736,051)	1,952,015	6,688,066	(3,833,118)	(3,833,111)		3,833,111
\$ (5,565,783)	\$ (5,420,837)	\$ 2,027,318	\$ 7,448,155	\$ (4,264,594)	\$ (4,264,586)	\$ -	\$ 4,264,586

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Funds, Fund Balances
to the GAAP General and Special Revenue Funds, Fund Balances
June 30, 2014

(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (pages 109 and 110)	\$ 1,027,689	\$ 2,027,318
Budgetary special funds reclassified to the general fund	915,277	(915,277)
Budgetary special funds reclassified to other funds		(829,707)
Other non-budgetary funds reclassified to governmental funds	420,281	575
Total of budgetary fund balances reclassified into the governmental funds' fund structure	2,363,247	282,909
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	25,684	
Investments	(400,866)	
Taxes receivable	38,606	3,149
Intergovernmental receivables	93,801	
Other accounts receivable	87,595	
Inventories	28,018	84,980
Loans and notes receivable	21	
Due from other funds	4,572	103,711
Liabilities and deferred inflows of resources recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable	(32,272)	
Accounts payable and accrued liabilities	(327,935)	
Due to other funds	(577,124)	
Accounts payable to political subdivisions	(3,370)	
Unearned revenue	(46,518)	
Accrued self insurance costs	(105,942)	
Deferred inflows of resources	(8,192)	(119,610)
Financial statement governmental funds' fund balances, June 30, 2014 (page 30)	\$ 1,139,325	\$ 355,139

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for
Other Post-Employment Benefits Plan
(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2014	\$ 250,110	\$ 8,964,286	\$ (8,714,176)	2.8 %	\$ 4,803,627	(181.4)%
2013	222,628	8,343,651	(8,121,023)	2.7	4,457,421	(182.2)
2012	208,772	9,580,069	(9,371,297)	2.1	4,144,267	(226.1)

Required Supplemental Schedule of Employer Contributions
and Other Contributing Entities for Other Post-Employment Benefits Plan
(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed		Total
		Employer Contributions (a)	Other Contributing Entities (b)	
2014	\$ 576,050	69.9%	- %	69.9%
2013	634,465	60.6	-	60.6
2012	704,382	53.7	-	53.7

Required Supplemental Schedule of Funding Progress for
Maryland Transit Administration Retiree Healthcare Benefit Plan
(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2013	\$ -	\$ 670,833	\$ (670,833)	- %	\$ 137,596	(487.5)%
2011	-	527,679	(527,679)	-	147,474	(357.8)
2009	-	431,500	(431,500)	-	151,560	(284.7)

Required Supplemental Schedule of Employer Contributions for
Maryland Transit Administration Retiree Healthcare Benefit Plan
(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Actual Contribution Entry Age	Percentage Contributed
2014	\$ 70,512	\$ 18,383	26.1 %
2013	70,512	14,147	20.1
2012	55,852	15,103	27.0

(a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).

(b) Other contributing entities consist of the Federal medicare drug subsidy contributed to the OPEB Trust.

STATE OF MARYLAND
Notes to Required Supplementary Information
For the Year Ended June 30, 2014

1. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund, and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the only Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and Federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level of the general, special and Federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2014, the General Assembly approved a net decrease in General Fund appropriations of \$46,045,000. Appropriations for programs funded by, in whole or in part, from the special or Federal funds, may permit expenditures in excess of original special or Federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and Federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and Federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances, Budget and Actual for the year ended June 30, 2014. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differ from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2014, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund Balances" immediately following the budgetary schedule.



Combining Financial Statements



STATE OF MARYLAND

Non-major Governmental Funds

Debt Service Funds

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

Capital Projects Funds

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

STATE OF MARYLAND
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

(Expressed in Thousands)

	Debt Service Funds		Capital	Total Non-major
	General	Transportation	Projects	Governmental
	Obligation	Bonds	Fund	Funds
	Bonds			
Assets:				
Equity in pooled invested cash.....			\$ 25,705	\$ 25,705
Investments.....			367,489	367,489
Due from other funds.....			1,533	1,533
Restricted Assets:				
Cash with fiscal agent.....	\$ 36,383			36,383
Equity in pooled invested cash.....	127,729			127,729
Investments.....	9,448	\$ 12,331		21,779
Taxes receivable, net.....	19,318			19,318
Other accounts receivable.....	372			372
Loans and notes receivable, net.....	1,918			1,918
Total assets.....	<u>\$ 195,168</u>	<u>\$ 12,331</u>	<u>\$ 394,727</u>	<u>\$ 602,226</u>
Liabilities:				
Vouchers payable.....			\$ 78,320	\$ 78,320
Accounts payable and accrued liabilities.....			29,536	29,536
Due to other funds.....			38,900	38,900
Accounts payable to political subdivisions.....			33,198	33,198
Total liabilities.....			<u>179,954</u>	<u>179,954</u>
Fund balances:				
Restricted.....	\$ 195,168	\$ 12,331		\$ 207,499
Committed.....			628,816	628,816
Unassigned.....			(414,043)	(414,043)
Total fund balance.....	<u>195,168</u>	<u>12,331</u>	<u>214,773</u>	<u>422,272</u>
Total liabilities and fund balances.....	<u>\$ 195,168</u>	<u>\$ 12,331</u>	<u>\$ 394,727</u>	<u>\$ 602,226</u>

STATE OF MARYLAND
Combining Statement of Revenues, Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2014

(Expressed in Thousands)

	Debt Service Funds		Capital	Total
	General	Transportation	Projects	Non-major
	Obligation	Bonds	Fund	Governmental
	Bonds	Bonds		Funds
Revenues:				
Property taxes	\$ 723,842			\$ 723,842
Interest and other investment income	1,112	\$ 2	\$ 473	1,587
Federal revenue	11,406		58	11,464
Other	1,455	1,721		3,176
Total revenues	737,815	1,723	531	740,069
Expenditures				
Education			338,094	338,094
Aid to higher education			291,256	291,256
Intergovernmental grants and revenue sharing			185,727	185,727
Capital outlays			127,418	127,418
Debt Service:				
Principal retirement	613,979	130,620		744,599
Interest	358,197	76,614		434,811
Bond issuance costs		393	3,203	3,596
Total expenditures	972,176	207,627	945,698	2,125,501
Deficiency of revenues under expenditures	(234,361)	(205,904)	(945,167)	(1,385,432)
Other sources (uses) of financial resources				
Bonds issued			979,552	979,552
Refunding bonds issued			236,852	236,852
Bond premium	104,777	12,724	45,684	163,185
Payments to refunded bond escrow agent			(278,876)	(278,876)
Transfers in	89,109	200,455	89,843	379,407
Transfers out			(103,051)	(103,051)
Total other sources of financial resources	193,886	213,179	970,004	1,377,069
Net changes in fund balances	(40,475)	7,275	24,837	(8,363)
Fund balances, beginning of year	235,643	5,056	189,936	430,635
Fund balances, end of year	\$ 195,168	\$ 12,331	\$ 214,773	\$ 422,272

STATE OF MARYLAND

Non-major Enterprise Funds

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State and Federal agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2014

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Assets -			
Current assets:			
Equity in pooled invested cash.....	\$ 1,701	\$ 15,748	\$ 17,449
Other accounts receivable.....		3,775	3,775
Inventories.....		10,259	10,259
Loans and notes receivable, net.....	182		182
Other assets.....	471	72	543
Restricted equity in pooled invested cash.....	84,664		84,664
Total current assets.....	87,018	29,854	116,872
Non-current assets:			
Investments.....	1,984		1,984
Loans and notes receivable, net.....	170		170
Capital assets, net of accumulated depreciation:			
Structures and improvements.....		2,770	2,770
Equipment.....		4,141	4,141
Infrastructure.....		21	21
Total non-current assets.....	2,154	6,932	9,086
Total assets.....	89,172	36,786	125,958
Liabilities-			
Current liabilities:			
Accounts payable and accrued liabilities.....	367	1,928	2,295
Accrued insurance on loan losses.....	12,459		12,459
Other liabilities.....	414	869	1,283
Unearned revenue.....	865	868	1,733
Total current liabilities.....	14,105	3,665	17,770
Non-current liabilities:			
Other liabilities.....	2,136	578	2,714
Total non-current liabilities.....	2,136	578	2,714
Total liabilities.....	16,241	4,243	20,484
Net Position-			
Net investment in capital assets.....		6,932	6,932
Restricted for insurance programs.....	84,664		84,664
Unrestricted (deficit).....	(11,733)	25,611	13,878
Total net position.....	\$ 72,931	\$ 32,543	\$ 105,474

STATE OF MARYLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Year Ended June 30, 2014

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Operating revenues:			
Charges for services and sales	\$ 3,105	\$ 51,800	\$ 54,905
Unrestricted interest on loan income	523		523
Other	61		61
Total operating revenues	3,689	51,800	55,489
Operating expenses:			
Cost of sales and services		41,172	41,172
General and administrative	3,713	8,325	12,038
Depreciation and amortization		1,259	1,259
Provision for insurance on loan losses	821		821
Total operating expenses	4,534	50,756	55,290
Operating income (loss)	(845)	1,044	199
Non-operating revenues (expenses):			
Restricted investment income	879		879
Other		(11)	(11)
Total non-operating revenues (expenses)	879	(11)	868
Income before capital contributions and transfers	34	1,033	1,067
Capital contributions		534	534
Transfers out	(770)	(1,800)	(2,570)
Changes in net position	(736)	(233)	(969)
Total net position - beginning of the year	73,667	32,776	106,443
Total net position - end of the year	\$ 72,931	\$ 32,543	\$ 105,474

STATE OF MARYLAND
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2014

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 3,225	\$ 52,471	\$ 55,696
Payments to suppliers		(34,161)	(34,161)
Payments to employees	(3,316)	(15,080)	(18,396)
Other receipts	7,550		7,550
Other payments	(9,228)		(9,228)
Net cash from operating activities	(1,769)	3,230	1,461
Cash flows from non-capital financing activities:			
Transfers out	(770)	(1,800)	(2,570)
Net cash from non-capital financing activities	(770)	(1,800)	(2,570)
Cash flows from capital and related financing activities:			
Capital contributed		534	534
Proceeds from sale of capital assets		454	454
Acquisition of capital assets		(1,811)	(1,811)
Net cash from capital and related financing activities		(823)	(823)
Cash flows from investing activities:			
Interest on investments	879		879
Net cash from investing activities	879		879
Net change in cash and cash equivalents	(1,660)	607	(1,053)
Balance - beginning of the year	88,025	15,141	103,166
Balance - end of the year	\$ 86,365	\$ 15,748	\$ 102,113
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss)	\$ (845)	\$ 1,044	\$ 199
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization		1,259	1,259
Effect of changes in non-cash operating assets and liabilities:			
Other accounts receivable		1,014	1,014
Due from other funds	373		373
Inventories		204	204
Loans and notes receivable	26		26
Other assets	2,213	83	2,296
Accounts payable and accrued liabilities	(1,432)	(59)	(1,491)
Accrued insurance and loan losses	(2,228)		(2,228)
Unearned revenue	95	(343)	(248)
Other liabilities	29	28	57
Net cash from operating activities	\$ (1,769)	\$ 3,230	\$ 1,461

STATE OF MARYLAND

Fiduciary Funds

The Pension and Other Employee Benefits Trust Funds include the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Trust Funds reflect the transactions, assets, liabilities and net position of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employee's payroll.

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
June 30, 2014

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2013	Total
Assets:				
Cash	\$ 2,051,621	\$ 8,912	\$ 3,625	\$ 2,064,158
Equity in pooled invested cash	2,560			2,560
Investments:				
U.S. Treasury and agency obligations	2,670,427	15,999		2,686,426
Bonds	5,360,680	26,502		5,387,182
Corporate equity securities	13,051,459	76,862		13,128,321
Mortgage related securities	1,926,733	8,929		1,935,662
Mutual funds	1,980,980		2,282,335	4,263,315
Guaranteed investment contracts			797,323	797,323
Real estate	2,340,852			2,340,852
Annuity contracts			90,369	90,369
Private equity	3,184,976			3,184,976
Commingled funds	10,832,926	76,258		10,909,184
Investment held by borrowers under securities lent with cash collateral	2,434,347			2,434,347
Total investments	43,783,380	204,550	3,170,027	47,157,957
Other receivables	848,768	10,230	33,681	892,679
Collateral for lent securities	2,490,916			2,490,916
Total assets	49,177,245	223,692	3,207,333	52,608,270
Liabilities:				
Accounts payable and accrued liabilities	1,346,341	-		1,346,341
Collateral obligation for lent securities	2,490,916			2,490,916
Total liabilities	3,837,257			3,837,257
Net Position:				
Held in trust for :				
Pension benefits	45,339,988	223,692		45,563,680
Deferred compensation benefits			3,207,333	3,207,333
Total net position	\$ 45,339,988	\$ 223,692	\$ 3,207,333	\$ 48,771,013

STATE OF MARYLAND
Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2014

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2013	Total
Additions:				
Contributions:				
Employers	\$ 1,018,679	\$ 39,749	\$ 40	\$ 1,058,468
Members	727,726		143,259	870,985
Sponsors	714,974			714,974
Total contributions	2,461,379	39,749	143,299	2,644,427
Investment earnings:				
Net appreciation in fair value of investments	4,185,982	12,977	467,898	4,666,857
Interest	590,269	15,767	23,962	629,998
Dividends	1,259,615			1,259,615
Total investment income	6,035,866	28,744	491,860	6,556,470
Less: investment expense	329,599			329,599
Net investment income	5,706,267	28,744	491,860	6,226,871
Total additions	8,167,646	68,493	635,159	8,871,298
Deductions:				
Benefit payments	3,121,823	32,598	182,805	3,337,226
Refunds	42,922			42,922
Administrative expenses	26,130	1,571	4,660	32,361
Total deductions	3,190,875	34,169	187,465	3,412,509
Changes in net position	4,976,771	34,324	447,694	5,458,789
Net position held in trust for pension and other employee benefits:				
Beginning of the year	40,363,217	189,368	2,759,639	43,312,224
End of the year	\$ 45,339,988	\$ 223,692	\$ 3,207,333	\$ 48,771,013

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Maryland State Retirement and Pension System
June 30, 2014

(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Assets:								
Cash.....	\$ 1,237,247	\$ 749,895	\$ 30,001	\$ (8,663)	\$ 43,141	\$ 2,051,621		\$ 2,051,621
Equity in pooled invested cash.....	2,560					2,560		2,560
Investments, at fair value.....	26,592,083	14,747,694	1,289,712	422,328	731,564	43,783,381		43,783,381
Other receivables.....	475,212	325,979	27,131	6,739	13,707	848,768		848,768
Due from other systems.....	191					191	\$ (191)	
Collateral for lent securities.....	1,614,558	751,081	57,231	21,559	46,486	2,490,915		2,490,915
Total assets.....	29,921,851	16,574,649	1,404,075	441,963	834,898	49,177,436	(191)	49,177,245
Liabilities:								
Accounts payable and accrued liabilities.....	816,115	458,242	40,313	11,521	20,150	1,346,341		1,346,341
Due to other system.....	89	102				191	(191)	
Collateral obligation for lent securities.....	1,614,559	751,081	57,231	21,559	46,486	2,490,916		2,490,916
Total liabilities.....	2,430,763	1,209,425	97,544	33,080	66,636	3,837,448	(191)	3,837,257
Net Position:								
Held in trust for pension benefits.....	\$ 27,491,088	\$ 15,365,224	\$ 1,306,531	\$ 408,883	\$ 768,262	\$ 45,339,988	\$ -	\$ 45,339,988

* Intersystem balances have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Maryland State Retirement and Pension System
For the Year Ended June 30, 2014

(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Additions:								
Contributions:								
Employers	\$ 285,219	\$ 592,185	\$ 56,243	\$ 21,110	\$ 63,922	\$ 1,018,679	\$	\$ 1,018,679
Members	441,559	267,139	6,592	2,566	9,870	727,726		727,726
Sponsors	714,974					714,974		714,974
Total contributions	1,441,752	859,324	62,835	23,676	73,792	2,461,379	-	2,461,379
Investment earnings:								
Net increase in fair value of investments	2,537,007	1,423,640	120,873	36,436	68,026	4,185,982		4,185,982
Interest	352,321	197,773	16,922	5,217	8,953	581,186		581,186
Dividends	763,666	428,060	36,327	11,088	20,474	1,259,615		1,259,615
Income from securities lending	5,665	2,945	202	61	210	9,083		9,083
Total investment income	3,658,659	2,052,418	174,324	52,802	97,663	6,035,866		6,035,866
Less: investment expense	200,147	112,099	9,227	2,629	5,497	329,599		329,599
Net investment income	3,458,512	1,940,319	165,097	50,173	92,166	5,706,267		5,706,267
Total additions	4,900,264	2,799,643	227,932	73,849	165,958	8,167,646	-	8,167,646
Deductions:								
Benefit payments	1,842,127	1,090,306	109,612	27,206	52,572	3,121,823		3,121,823
Refunds	22,582	19,494	173	53	620	42,922		42,922
Administrative expenses	14,092	11,493	179	39	327	26,130		26,130
Total deductions	1,878,801	1,121,293	109,964	27,298	53,519	3,190,875	-	3,190,875
Changes in net position	3,021,463	1,678,350	117,968	46,551	112,439	4,976,771	-	4,976,771
Net position held in trust for pension benefits:								
Beginning of the year	24,469,625	13,686,874	1,188,563	362,332	655,823	40,363,217		40,363,217
End of the year	\$ 27,491,088	\$ 15,365,224	\$ 1,306,531	\$ 408,883	\$ 768,262	\$ 45,339,988	\$	\$ 45,339,988

*Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Deferred Compensation Plan
December 31, 2013

(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Assets:					
Cash.....	\$ 3,625				\$ 3,625
Investments, at fair value.....	1,446,548	\$ 1,467,294	\$ 173,708	\$ 82,477	3,170,027
Other receivables.....	15,208	18,005		468	33,681
Total assets.....	1,465,381	1,485,299	173,708	82,945	3,207,333
Net position:					
Held in trust for deferred compensation benefits.....	\$ 1,465,381	\$ 1,485,299	\$ 173,708	\$ 82,945	\$ 3,207,333

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Deferred Compensation Plan
For the Year Ended December 31, 2013

(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Contributions:					
Employers.....			\$ 40		\$ 40
Members.....	\$ 58,119	\$ 82,602		\$ 2,538	143,259
Total contributions.....	58,119	82,602	40	2,538	143,299
Investment earnings:					
Net increase in fair value of investments.....	190,664	231,535	30,739	14,960	467,898
Interest.....	14,769	8,144	814	235	23,962
Net investment income.....	205,433	239,679	31,553	15,195	491,860
Total additions.....	263,552	322,281	31,593	17,733	635,159
Deductions:					
Benefit payments.....	90,919	79,069	7,240	5,577	182,805
Administrative expenses.....	2,570	1,820	173	97	4,660
Total deductions.....	93,489	80,889	7,413	5,674	187,465
Changes in net position.....	170,063	241,392	24,180	12,059	447,694
Net position held in trust for pension and other employee benefits:					
Beginning of the year.....	1,295,318	1,243,907	149,528	70,886	2,759,639
End of the year.....	\$ 1,465,381	\$ 1,485,299	\$ 173,708	\$ 82,945	\$ 3,207,333

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2014

(Expressed in Thousands)

	Agency Funds					
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	Total Agency Funds
Assets:						
Cash.....		\$ 10	\$ 31,608		\$ 40,326	\$ 71,944
Equity in pooled invested cash	\$ 846,643	93,706	15,956	\$ 500	12,064	968,869
Taxes receivable, net	180,929					180,929
Intergovernmental receivables.....				116		116
Accounts receivable from state treasury.....	550,000					550,000
Total assets	<u>\$ 1,577,572</u>	<u>\$ 93,716</u>	<u>\$ 47,564</u>	<u>\$ 616</u>	<u>\$ 52,390</u>	<u>\$ 1,771,858</u>
Liabilities:						
Accounts payable and accrued liabilities.....		\$ 93,716	\$ 3,649	\$ 616	\$ 48,111	\$ 146,092
Accounts payable to political subdivisions	<u>\$ 1,577,572</u>		43,915		4,279	1,625,766
Total liabilities.....	<u>\$ 1,577,572</u>	<u>\$ 93,716</u>	<u>\$ 47,564</u>	<u>\$ 616</u>	<u>\$ 52,390</u>	<u>\$ 1,771,858</u>

STATE OF MARYLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<i>Litigant, Patient and Prisoner Accounts</i>				
Assets:				
Cash.....	\$ 37,413	\$ 57,358	\$ 54,445	\$ 40,326
Equity in pooled invested cash.....	12,778	35,478	36,192	12,064
Total assets.....	\$ 50,191	\$ 92,836	\$ 90,637	\$ 52,390
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 45,289	\$ 92,288	\$ 89,466	\$ 48,111
Accounts payable to political subdivisions.....	4,902	548	1,171	4,279
Total liabilities.....	\$ 50,191	\$ 92,836	\$ 90,637	\$ 52,390
<i>Insurance Premium Taxes</i>				
Assets:				
Cash.....	\$ 10			\$ 10
Equity in pooled invested cash.....	92,206	\$ 36,271	\$ 34,771	93,706
Total assets.....	\$ 92,216	\$ 36,271	\$ 34,771	\$ 93,716
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 92,216	\$ 36,271	\$ 34,771	\$ 93,716
<i>Local Income Taxes</i>				
Assets:				
Equity in pooled invested cash.....	\$ 852,776	\$ 5,252,709	\$ 5,258,842	\$ 846,643
Taxes receivable.....	138,603	180,929	138,603	180,929
Accounts receivable from State treasury.....	550,000			550,000
Total assets.....	\$ 1,541,379	\$ 5,433,638	\$ 5,397,445	\$ 1,577,572
Liabilities:				
Accounts payable to political subdivisions.....	\$ 1,541,379	\$ 5,433,638	\$ 5,397,445	\$ 1,577,572
<i>Local Transportation Funds and Other Taxes</i>				
Assets:				
Cash.....	\$ 35,819		\$ 4,211	\$ 31,608
Equity in pooled invested cash.....	16,485	\$ 107,849	108,378	15,956
Total assets.....	\$ 52,304	\$ 107,849	\$ 112,589	\$ 47,564
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 3,716	\$ 3,649	\$ 3,716	\$ 3,649
Accounts payable to political subdivisions.....	48,588	104,200	108,873	43,915
Total liabilities.....	\$ 52,304	\$ 107,849	\$ 112,589	\$ 47,564
<i>Payroll Taxes and Fringe Benefits</i>				
Assets:				
Equity in pooled invested cash.....	\$ 347	\$ 1,482,100	\$ 1,481,947	\$ 500
Intergovernmental receivables.....	101	116	101	116
Total assets.....	\$ 448	\$ 1,482,216	\$ 1,482,048	\$ 616
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 448	\$ 1,482,216	\$ 1,482,048	\$ 616
<i>Totals - All Agency Funds</i>				
Assets:				
Cash.....	\$ 73,242	\$ 57,358	\$ 58,656	\$ 71,944
Equity in pooled invested cash.....	974,592	6,914,407	6,920,130	968,869
Taxes receivable.....	138,603	180,929	138,603	180,929
Intergovernmental receivables.....	101	116	101	116
Accounts receivable from state treasury.....	550,000			550,000
Total assets.....	\$ 1,736,538	\$ 7,152,810	\$ 7,117,490	\$ 1,771,858
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 141,669	\$ 1,614,424	\$ 1,610,001	\$ 146,092
Accounts payable to political subdivisions.....	1,594,869	5,538,386	5,507,489	1,625,766
Total liabilities.....	\$ 1,736,538	\$ 7,152,810	\$ 7,117,490	\$ 1,771,858

STATE OF MARYLAND

Non-major Component Unit Financial Statements

Non-major Component Units

Non-major component units are comprised of the following proprietary fund type entities.

Maryland Environmental Service

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Food Center Authority

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Technology Development Corporation

The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The corporation administers the Maryland Technology Incubator program and the Maryland Stem Cell Research Fund.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Component Units
June 30, 2014

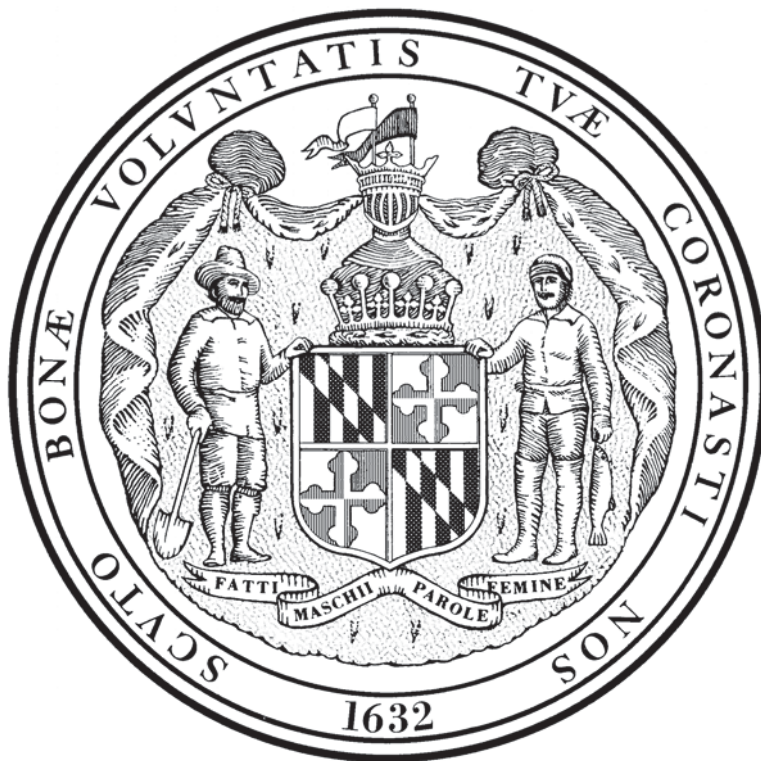
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Maryland Stadium Authority	Total Non-major Component Units
Assets:						
Cash	\$ 43,366		\$ 9	\$ 9,485	\$ 519	\$ 53,379
Equity in pooled invested cash.		\$ 36,510	4,179		23,509	64,198
Investments.	8,168			7,129		15,297
Other accounts receivable.	18,062		37	316	8,409	26,824
Due from primary government.				11,093	3,649	14,742
Loans and notes receivable, net.			97	1,116	3,861	5,074
Investments in direct financing leases.					163,574	163,574
Other assets.	6,757		5	30	1	6,793
Restricted assets:						
Cash.	176					176
Investments.	6,710				3,623	10,333
Capital assets, net of accumulated depreciation:						
Land.	2,730		5,103			7,833
Structures and improvements.	24,912		16,553		110,287	151,752
Infrastructure.	240					240
Equipment.	6,119		735	23	10,526	17,403
Construction in progress.	992		127			1,119
Total assets.	118,232	36,510	26,845	29,192	327,958	538,737
Liabilities:						
Accounts payable and accrued liabilities.	10,565		375	17,460	27,916	56,316
Due to Primary Government				400	3,000	3,400
Unearned revenue.		174	227	2,875	529	3,805
Accrued insurance on loan losses.		2,674				2,674
Other liabilities			231			231
Bonds and notes payable:						
Due within one year.	1,035				35,340	36,375
Due in more than one year.	22,398				166,559	188,957
Other noncurrent liabilities:						
Due within one year.	38,462		110		138	38,710
Due in more than one year.	17,059		58		15,979	33,096
Total liabilities.	89,519	2,848	1,001	20,735	249,461	363,564
Net position:						
Net investment in capital assets.	9,935		22,518	23	82,054	114,530
Restricted:						
Debt service.					2,838	2,838
Capital improvements and deposits.	11			44	785	840
Unrestricted.	18,767	33,662	3,326	8,390	(7,180)	56,965
Total net position.	\$ 28,713	\$ 33,662	\$ 25,844	\$ 8,457	\$ 78,497	\$ 175,173

STATE OF MARYLAND
Combining Statement of Activities
Non-major Component Units
For the Year Ended June 30, 2014

(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Maryland Stadium Authority	Total Non-major Component Units
Expenses:						
General and administrative.	\$ 13,062	\$ 2,354	\$ 1,128	\$ 599	\$ 8,467	\$ 25,610
Operation and maintenance of facilities.	97,364		2,280		25,806	125,450
Provision for insurance on loan losses, net.		85				85
Interest on long-term debt.	1,247				8,871	10,118
Depreciation and amortization.	2,814		880	13	17,924	21,631
Other.	272	552	177	21,864	10,611	33,476
Total expenses.	114,759	2,991	4,465	22,476	71,679	216,370
Program revenues:						
Charges for services and sales.	114,973	633	4,643	1,011	38,954	160,214
Total charges for services.	114,973	633	4,643	1,011	38,954	160,214
Operating grants and contributions.	1,050			22,290	35,438	58,778
Total program revenues.	116,023	633	4,643	23,301	74,392	218,992
Net program revenue (expense).	1,264	(2,358)	178	825	2,713	2,622
General revenues:						
Unrestricted investment income.	61	378	35	243		717
Total general revenues.	61	378	35	243		717
Change in net position.	1,325	(1,980)	213	1,068	2,713	3,339
Net position - beginning of the year, as restated. ...	27,388	35,642	25,631	7,389	75,784	171,834
Net position - end of the year.	\$ 28,713	\$ 33,662	\$ 25,844	\$ 8,457	\$ 78,497	\$ 175,173





Statistical Section



Statistical Section

This part of the State’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State’s economic condition.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the State’s financial position and well-being have changed over time.	135
Revenue Capacity	
These schedules contain information to help the reader assess the State’s most significant own-source revenues	142
Debt Capacity	
These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future	147
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place.	152
Operating Information	
These schedules contain service data to help the reader understand how the information in the State’s financial report relates to the services the State provides and the activities it performs	155

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATE OF MARYLAND
Net Position by Component, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Net investment in capital assets.....	\$ 14,312,895	\$ 14,203,503	\$ 13,771,338	\$ 13,669,573	\$ 13,796,006	\$ 14,381,207	\$ 14,267,201	\$ 13,853,102	\$ 13,405,751	\$ 12,940,305
Restricted*.....	214,000	241,446	229,448	200,791	154,372	126,583	87,879	88,808	149,621	145,607
Unrestricted (deficit).....	(12,086,503)	(10,915,188)	(10,023,466)	(8,238,126)	(6,664,836)	(5,152,460)	(2,273,983)	(559,318)	140,553	(668,169)
Total governmental activities net position.....	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097	\$ 13,382,592	\$ 13,695,925	\$ 12,417,743
Business-type activities:										
Net investment in capital assets.....	\$ 2,780,663	\$ 2,396,073	\$ 2,314,382	\$ 2,117,369	\$ 1,554,706	\$ 1,368,562	\$ 1,685,176	\$ 1,613,891	\$ 1,303,668	\$ 1,217,923
Restricted.....	2,074,041	2,267,356	2,219,474	2,002,872	2,281,572	2,321,225	2,421,939	1,835,767	1,901,771	1,828,027
Unrestricted.....	2,208,475	2,112,651	1,855,353	1,602,600	1,453,631	1,498,587	1,250,324	1,725,338	1,670,224	1,450,868
Total business-type activities net position.....	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439	\$ 5,174,996	\$ 4,875,663	\$ 4,496,818
Primary government:										
Net investment in capital assets.....	\$ 17,093,558	\$ 16,599,576	\$ 16,085,720	\$ 15,786,942	\$ 15,350,712	\$ 15,749,769	\$ 15,952,377	\$ 15,466,993	\$ 14,709,419	\$ 14,158,228
Restricted.....	2,288,041	2,508,802	2,448,922	2,203,663	2,435,944	2,447,808	2,509,818	1,924,575	2,051,392	1,973,634
Unrestricted (deficit).....	(9,878,028)	(8,802,537)	(8,168,113)	(6,635,526)	(5,211,205)	(3,653,873)	(1,023,659)	1,166,020	1,810,777	782,699
Total primary government net position.....	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704	\$ 17,438,536	\$ 18,557,588	\$ 18,571,588	\$ 16,914,561

*Information for fiscal years prior to fiscal year end June 30, 2006 , has been restated to reflect reclassifications of certain restricted and unrestricted balances.

STATE OF MARYLAND
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities (1):										
Expenses.....	\$ 32,979,215	\$ 31,110,854	\$ 31,045,539	\$ 31,067,223	\$ 29,909,914	\$ 28,467,897	\$ 26,793,866	\$ 24,691,358	\$ 22,326,398	\$ 21,203,763
Program revenues.....	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502
Net (expense)/revenue, governmental activities.....	(19,757,947)	(18,454,877)	(18,689,388)	(18,064,667)	(17,702,208)	(18,290,873)	(18,124,715)	(16,021,793)	(14,252,487)	(13,255,261)
General revenues and other changes,										
governmental activities.....	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703
Change in net position, governmental activities.....	(1,058,746)	(447,559)	(1,654,918)	(1,653,304)	(2,069,788)	(2,547,899)	(1,301,495)	(313,333)	1,278,182	1,412,442
Net position, beginning.....	3,529,761	3,977,320	5,632,238	7,285,542	9,355,330	12,081,097	13,382,592	13,695,925	12,417,743	11,005,301
Restatement (2).....	(30,623)					(177,868)				
Net position, ending, governmental activities.....	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097	\$ 13,382,592	\$ 13,695,925	\$ 12,417,743
Business-type activities (1):										
Expenses.....	\$ 3,560,492	\$ 3,724,891	\$ 3,751,849	\$ 3,666,971	\$ 3,905,705	\$ 3,191,998	\$ 2,308,944	\$ 2,204,570	\$ 2,018,125	\$ 1,980,350
Program revenues.....	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686
Net (expense)/revenue, business-type activities.....	1,207,125	1,164,926	1,165,517	955,105	722,567	131,652	634,575	618,231	832,261	775,336
General revenues and other changes, business-type activities,										
Change in net position, business-type activities.....	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)
Change in net position, business-type activities.....	327,641	386,871	666,368	432,932	116,841	(311,504)	182,443	299,333	378,845	378,765
Net position, beginning.....	6,776,080	6,389,209	5,722,841	5,289,909	5,188,374	5,357,439	5,174,996	4,875,663	4,496,818	4,085,112
Restatement (2).....	(40,542)				(15,306)	142,439				32,941
Net position, ending, business-type activities.....	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439	\$ 5,174,996	\$ 4,875,663	\$ 4,496,818
Primary government:										
Expenses.....	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810	\$ 26,895,928	\$ 24,344,523	\$ 23,184,113
Program revenues.....	17,988,885	17,545,794	17,273,517	17,624,632	16,835,978	13,500,674	11,612,670	11,492,366	10,924,297	10,704,188
Net (expense)/revenue, primary government.....	(18,550,822)	(17,289,951)	(17,523,871)	(17,109,562)	(16,979,641)	(18,159,221)	(17,490,140)	(15,403,562)	(13,420,226)	(12,479,925)
General revenues and other changes, primary government,										
Change in net position, primary government.....	17,819,717	17,229,263	16,535,321	15,889,190	15,026,694	15,295,818	16,371,088	15,389,562	15,077,253	14,271,132
Change in net position, primary government.....	(731,105)	(60,688)	(988,550)	(1,220,372)	(1,952,947)	(2,859,403)	(1,119,052)	(14,000)	1,657,027	1,791,207
Net position, beginning.....	10,305,841	10,366,529	11,355,079	12,575,451	14,543,704	17,438,536	18,557,588	18,571,588	16,914,561	15,090,413
Restatement.....	(71,165)				(15,306)	(35,429)				32,941
Net position ending, primary government.....	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704	\$ 17,438,536	\$ 18,557,588	\$ 18,571,588	\$ 16,914,561

(1) See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.
(2) The beginning net position for fiscal year 2004 was restated due to implementation of GASB Technical Bulletin No. 2004-1.

The beginning net position for fiscal year 2005 was restated for a change in accounting principles regarding the valuation of investments by the Maryland Lottery and Gaming Control Agency. Beginning net position balances were restated for fiscal year 2009 to recognize pollution remediation obligations for governmental activities and a prior period adjustment for capital assets of the Maryland Transportation Authority in the business-type activities. Beginning net position was restated for fiscal year 2010 due to implementation of GASB Statement No. 53. Beginning net position was restated for fiscal year 2014 due to implementation of GASB Statement No. 65.

STATE OF MARYLAND
Expenses by Function, Primary Government
Last Ten Fiscal Years
(accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
Functions/Programs	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Government activities:										
General government	\$ 832,041	\$ 894,637	\$ 871,352	\$ 865,519	\$ 837,542	\$ 835,858	\$ 815,107	\$ 712,936	\$ 693,074	\$ 747,486
Health and mental hygiene	11,078,408	10,038,006	9,870,227	9,592,240	9,174,006	8,398,880	7,648,495	7,400,023	6,588,057	6,202,439
Education	7,970,236	7,695,521	7,790,385	7,896,010	7,294,358	7,173,417	6,834,608	6,469,864	5,701,642	5,180,165
Aid for higher education	2,042,523	1,918,549	1,898,244	1,921,224	1,908,027	1,878,043	1,851,379	1,299,090	1,103,514	1,074,048
Human resources	2,584,755	2,611,879	2,551,033	2,537,952	2,401,029	2,163,217	1,859,485	1,647,583	1,622,945	1,595,093
Public safety	2,101,314	2,095,994	2,078,085	2,198,490	2,119,696	2,134,038	2,100,098	1,852,861	1,674,995	1,498,684
Transportation	3,504,411	3,146,053	3,155,703	3,176,910	3,460,865	3,202,687	3,054,406	2,913,259	2,382,539	1,912,602
Judicial	662,086	642,559	649,324	681,717	654,605	682,324	633,844	541,713	506,787	476,253
Labor, licensing and regulation	333,701	319,757	279,632	277,887	253,977	204,027	186,470	168,022	157,675	170,344
Natural resources and recreation	213,004	185,627	207,840	205,921	187,525	219,060	179,682	166,751	181,682	184,599
Housing and community development	294,408	295,611	347,008	373,548	319,721	248,334	247,515	229,008	217,544	212,753
Environment	102,712	104,685	108,213	126,054	121,957	123,854	108,273	92,977	84,973	78,238
Agriculture	97,770	97,234	46,645	90,502	57,275	94,930	82,163	59,294	56,706	55,985
Business and economic development	105,177	71,517	78,406	83,519	78,701	94,584	97,991	66,405	57,093	58,127
Intergovernmental grants	541,034	507,660	614,685	611,595	635,467	624,475	742,398	738,973	979,450	1,453,408
Interest	515,633	485,565	498,757	428,135	405,163	390,169	351,952	332,599	317,722	303,539
Total governmental activities expenses	32,979,215	31,110,854	31,045,539	31,067,223	29,909,914	28,467,897	26,793,866	24,691,358	22,326,398	21,203,763
Business-type activities:										
Economic development-insurance programs	4,534	12,565	4,689	12,693	4,247	8,881	4,759	1,545	11	(132)
Economic development-general loan programs	32,176	20,344	20,106	18,905	13,501	30,586	21,547	181,394	19,129	31,010
Economic development-water quality loan programs	174,566	209,263	142,280	153,331	99,911	43,245	42,409	8,465	26,045	10,574
Economic development-housing loan programs	202,818	207,423	204,117	193,258	201,077	210,603	189,906	58,816	131,420	138,723
Unemployment insurance program	925,005	1,246,507	1,585,495	1,629,721	2,004,334	1,330,465	544,109	445,877	403,776	432,125
Maryland Lottery and Gaming Control Agency	1,701,020	1,525,381	1,331,899	1,254,095	1,205,310	1,207,171	1,133,587	1,094,065	1,061,295	1,005,275
Maryland Transportation Authority	469,606	451,944	412,509	355,467	327,360	308,383	325,721	368,170	334,905	324,838
Maryland Correctional Enterprises	50,767	51,464	50,754	49,501	49,965	52,664	46,906	46,238	41,544	37,937
Total business-type activities expenses	3,560,492	3,724,891	3,751,849	3,666,971	3,905,705	3,191,998	2,308,944	2,204,570	2,018,125	1,980,350
Total primary government expenses	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810	\$ 26,895,928	\$ 24,344,523	\$ 23,184,113

STATE OF MARYLAND
Revenues, Primary Government
Last Ten Fiscal Years
(accrual based accounting)
(Expressed in Thousands)

Source	Year ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Program revenues:										
Charges for services:										
General government	\$ 577,929	\$ 724,997	\$ 500,747	\$ 455,729	\$ 490,230	\$ 616,176	\$ 359,589	\$ 424,639	\$ 301,119	\$ 484,933
Health and mental hygiene	1,445,746	1,368,278	1,332,658	1,205,122	948,124	564,677	458,706	417,753	353,211	320,596
Transportation	582,332	679,378	541,961	540,859	527,330	508,629	611,002	643,447	583,346	580,691
Judicial	313,598	349,347	434,276	283,781	246,027	252,847	260,145	403,697	415,925	384,985
Other activities	418,981	454,900	462,765	460,733	608,284	462,761	377,905	327,765	303,259	298,033
Operating grants and contributions	9,056,184	8,233,915	8,199,616	9,341,179	8,659,808	7,079,697	5,924,816	5,725,441	5,323,300	5,091,053
Capital grants and contributions	826,498	845,162	884,128	715,153	727,903	692,237	676,988	726,823	793,751	788,211
Total program revenues	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502
General revenues:										
Taxes:										
Income Taxes	8,803,951	8,657,390	7,868,089	7,605,497	7,003,514	7,167,890	7,885,639	7,333,979	7,119,633	6,829,564
Sales and use taxes	4,199,862	4,115,724	4,078,000	3,898,509	3,760,756	3,857,020	3,748,724	3,448,766	3,385,391	3,149,736
Motor vehicle taxes	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021
Tobacco taxes	402,403	415,922	411,427	407,570	405,915	405,559	376,112	277,755	280,307	275,796
Insurance company taxes	475,294	429,410	428,023	392,287	382,569	369,479	469,144	390,026	356,816	311,591
Property taxes	972,947	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405
Estate & inheritance taxes	238,276	258,978	221,206	241,576	196,002	229,723	261,987	242,208	238,462	198,272
Other taxes	313,474	293,031	296,068	302,421	294,752	303,391	311,048	309,883	302,106	306,139
Unrestricted investment earnings	212,533	155,587	195,587	79,042	167,581	202,682	345,578	350,249	251,388	130,359
Transfers	883,656	779,026	593,478	526,948	614,794	461,194	477,936	349,556	457,850	420,820
Total general revenues, special items and transfers	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703
Total revenues and transfers - governmental activities	31,920,469	30,663,295	29,390,621	29,413,919	27,840,126	25,919,998	25,492,371	24,378,025	23,604,580	22,616,205
Business-type activities:										
Program revenues:										
Charges for services:										
Unemployment insurance program	658,998	899,368	1,136,677	1,031,602	953,711	475,032	440,848	464,411	541,386	590,805
Maryland Lottery and Gaming Control Agency	2,645,960	2,444,195	2,022,445	1,828,489	1,711,285	1,699,156	1,673,038	1,577,311	1,560,906	1,485,733
Maryland Transportation Authority	804,642	617,334	532,042	553,786	588,427	391,558	425,504	371,468	404,446	359,157
Other activities	355,935	337,214	307,914	327,854	359,204	366,916	346,494	333,621	274,918	242,337
Operating grants and contributions	302,082	591,706	917,219	880,345	1,015,645	390,988	57,635	25,995	27,020	26,206
Capital grants and contributions		1,069						49,995	41,710	51,448
Total program revenues	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686
General revenues:										
InvestMD tax credits			84,000							
Unrestricted investment earnings	4,172	971	10,329	4,775	9,068	18,038	25,804	30,658	4,434	24,249
Transfers	(883,656)	(779,026)	(593,478)	(526,948)	(614,794)	(461,194)	(477,936)	(349,556)	(457,850)	(420,820)
Total general revenues and transfers	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)
Total revenues and transfers- business-type activities	3,888,133	4,111,762	4,418,217	4,099,903	4,022,546	2,880,494	2,491,387	2,503,903	2,396,970	2,359,115
Total primary government revenues and transfers	\$ 35,808,602	\$ 34,775,057	\$ 33,808,838	\$ 33,513,822	\$ 31,862,672	\$ 28,800,492	\$ 27,983,758	\$ 26,881,928	\$ 26,001,550	\$ 24,975,320

STATE OF MARYLAND
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund (2):										
Nonspendable.....	\$ 495,542	\$ 493,431	\$ 485,654	\$ 468,330	\$ 448,982					
Restricted.....	6,501	187	632	294	398					
Committed.....	1,553,584	1,488,477	1,271,765	1,163,278	1,140,676					
Unassigned.....	(916,302)	(622,860)	(680,949)	(292,292)	(340,964)					
Reserved.....						\$ 1,363,060	\$ 1,388,192	\$ 2,373,711	\$ 1,490,670	\$ 1,537,565
Unreserved.....						146,862	1,497,396	885,256	2,041,884	1,084,392
Total general fund.....	1,139,325	1,359,235	1,077,102	1,339,610	1,249,092	1,509,922	2,885,588	3,258,967	3,532,554	2,621,957
All other governmental funds (2):										
Nonspendable.....	192,871	183,355	181,093	182,156	171,094					
Restricted.....	207,499	241,260	228,816	200,497	154,386					
Committed.....	791,084	663,718	550,287	568,396	608,854					
Unassigned (1).....	(414,043)	(353,964)	(431,416)	(403,711)	(358,796)					
Reserved.....						574,349	519,013	523,796	599,016	563,511
Unreserved, reported in:										
Special revenue funds.....						166,567	(29,236)	162,627	219,737	173,094
Capital projects funds (1).....						(375,595)	(128,045)	(83,260)	(196,454)	(297,322)
Debt service funds.....						104,238	54,263	57,132	122,456	155,833
Total all other governmental funds.....	777,411	734,369	528,780	547,338	575,538	469,559	415,995	660,295	744,755	595,116
Total governmental funds.....	\$ 1,916,736	\$ 2,093,604	\$ 1,605,882	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481	\$ 3,301,583	\$ 3,919,262	\$ 4,277,309	\$ 3,217,073

(1) The unreserved and unassigned fund balance deficit of the capital projects fund will be funded by future bond proceeds and capital appropriations of the general fund.

(2) Beginning in fiscal year 2010, fund balances were restated due to implementation of GASB Statement No. 54.

STATE OF MARYLAND
Changes in Fund Balances, Government Funds
Last Ten Fiscal Years

(modified accrual based accounting)

(Expressed in Thousands)

	Year ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Income taxes	\$ 8,743,986	\$ 8,652,063	\$ 7,822,259	\$ 7,639,285	\$ 6,957,811	\$ 7,156,297	\$ 7,868,899	\$ 7,325,181	\$ 7,108,573	\$ 6,814,378
Retail sales and use taxes	4,196,314	4,114,462	4,076,729	3,896,876	3,754,326	3,851,752	3,748,933	3,447,896	3,382,851	3,153,676
Motor vehicle taxes and fees	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021
Tobacco taxes	402,403	415,922	411,427	407,570	405,915	405,559	376,112	277,755	280,307	275,796
Insurance company taxes	475,294	429,410	428,023	392,287	382,569	369,479	469,144	390,026	356,816	311,591
Property taxes	972,947	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405
Estate & inheritance taxes	238,276	258,978	221,206	241,576	196,002	229,723	261,987	242,208	238,462	198,272
Other taxes	313,474	293,031	296,068	302,421	294,752	293,391	311,048	309,883	302,106	306,139
Other licenses and fees	607,785	678,648	714,891	683,289	682,756	686,806	651,079	782,712	808,617	759,953
Charges for services	2,304,305	2,403,377	2,150,332	1,878,075	1,639,917	1,259,309	1,108,666	1,050,187	970,345	978,535
Revenues pledged as security for bonds*				95,057	89,521	66,098	77,541	70,563	70,593	70,875
Interest and other investment income	110,607	(89,273)	88,068	23,052	121,233	161,696	307,403	315,121	219,609	102,532
Federal	9,897,214	9,096,720	9,104,024	9,968,631	9,386,888	7,767,558	6,604,348	6,407,172	6,118,583	5,916,233
Other	412,182	474,867	405,263	309,902	413,762	377,127	214,755	240,671	108,689	331,224
Total revenues	30,871,592	29,790,837	28,700,883	28,795,534	27,131,989	25,380,831	24,946,967	23,865,413	23,104,267	22,264,630
Expenditures:										
Current:										
General government	836,341	884,048	836,112	775,370	762,488	757,186	729,788	716,958	738,472	703,466
Education	9,636,845	9,305,918	9,298,976	9,474,145	9,104,692	8,948,062	8,638,203	7,683,885	6,758,158	6,235,534
Business and economic development	103,253	69,425	75,835	79,284	74,578	90,892	94,503	65,774	56,374	57,287
Labor, licensing and regulation	319,814	304,289	261,615	246,700	226,118	182,751	166,848	164,255	154,607	166,787
Human resources	2,542,075	2,557,386	2,488,200	2,420,789	2,291,347	2,061,959	1,761,284	1,643,078	1,622,922	1,569,032
Health and mental hygiene	11,160,187	9,949,816	9,772,861	9,441,903	9,040,549	8,286,032	7,536,747	7,252,117	6,547,288	6,329,383
Environment	96,901	87,728	96,116	107,457	110,092	106,307	95,918	92,460	83,793	76,393
Transportation	1,793,001	1,468,019	1,472,418	1,228,659	1,422,084	1,333,618	1,262,973	1,219,507	1,121,714	1,273,622
Public safety	1,888,200	1,879,264	1,875,795	1,873,921	1,773,141	1,824,595	1,835,652	1,790,595	1,606,314	1,435,406
Judicial	638,115	594,522	590,082	577,333	556,908	585,778	556,056	527,618	490,861	462,568
Housing and community development	292,494	293,743	344,408	368,857	315,630	244,208	244,581	228,105	215,940	211,577
Natural resources and recreation	186,486	171,206	179,682	182,229	184,342	205,876	188,675	177,553	165,439	167,018
Agriculture	87,110	80,353	79,294	80,770	92,954	142,804	147,494	101,252	64,044	56,624
Intergovernmental	1,190,477	1,156,328	1,265,314	1,249,592	1,187,153	1,425,506	1,597,734	1,590,590	1,562,539	1,453,408

Debt service:												
Principal	744,599	673,639	645,024	598,265	560,348	536,050	497,300	473,985	485,635	464,650		
Interest	434,811	414,089	399,710	390,340	366,237	349,214	315,010	298,007	280,278	258,791		
Capital outlay	1,598,458	1,614,972	1,274,591	1,276,049	1,200,176	1,430,170	1,476,506	1,437,741	1,538,927	1,531,461		
Total expenditures	33,549,167	31,504,745	30,956,033	30,371,663	29,268,837	28,511,008	27,145,272	25,463,480	23,493,305	22,453,007		
Excess (deficiency) of revenues over expenditures	(2,677,575)	(1,713,908)	(2,255,150)	(1,576,129)	(2,136,848)	(3,130,177)	(2,198,305)	(1,598,067)	(389,038)	(188,377)		
Other financing sources (uses):												
Capital leases	170,236	32,311	23,440	53,334	15,472	27,945	31,185	56,860	121,197	154,434		
Proceeds from bond issues	1,445,884	1,389,203	1,375,297	1,058,166	1,477,837	1,318,718	1,071,403	831,193	904,907	937,480		
Other long-term liabilities							102	2,411	5,320	12,321		
Proceeds from refunding bonds	279,273	424,111	656,851		798,080	69,431				855,840		
Payments to escrow agents	(278,876)	(423,021)	(674,982)		(924,185)	(69,213)				(940,591)		
Transfers in	1,659,660	1,331,669	1,552,089	1,716,673	1,895,049	1,203,021	1,180,435	1,137,421	1,133,853	1,063,529		
Transfers out	(775,470)	(552,643)	(958,611)	(1,189,726)	(1,280,256)	(741,827)	(702,499)	(787,865)	(676,003)	(642,709)		
Net other sources (uses) of financial resources	2,500,707	2,201,630	1,974,084	1,638,447	1,981,997	1,808,075	1,580,626	1,240,020	1,489,274	1,440,304		
Net changes in fund balance	(176,868)	487,722	(281,066)	62,318	(154,851)	(1,322,102)	(617,679)	(358,047)	1,100,236	1,251,927		
Fund balance, beginning of the year	2,093,604	1,605,882	1,886,948	1,824,630	1,979,481	3,301,583	3,919,262	4,277,309	3,177,073	1,925,146		
Fund balance, end of the year	\$ 1,916,736	\$ 2,093,604	\$ 1,605,882	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481	\$ 3,301,583	\$ 3,919,262	\$ 4,277,309	\$ 3,177,073		
Debt service as a percentage of noncapital expenditures	3.7%	3.6%	3.5%	3.5%	3.4%	3.4%	3.3%	3.3%	3.6%	3.6%		

* Beginning in fiscal year 2012, revenues pledged as security for bonds were reclassified to charges for services.

STATE OF MARYLAND
Personal Income Tax Filers by Subdivision
Tax Year Ended December 31, 2013

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax(1)	Local Income Tax	State and Local Income Tax	Local Tax Rate
Allegany.....	22,006	\$ 1,148,749,427	\$ 883,324,281	\$ 39,607,345	\$ 26,095,112	\$ 65,702,457	3.05 %
Anne Arundel.....	214,755	19,338,945,953	15,636,875,234	737,272,406	396,498,429	1,133,770,835	2.56
Baltimore County.....	327,256	26,719,640,203	21,287,945,539	983,193,448	593,426,280	1,576,619,728	2.83
Calvert.....	34,020	2,915,447,836	2,298,278,397	107,278,937	63,708,404	170,987,341	2.80
Caroline.....	11,147	600,595,895	444,086,756	18,780,307	11,253,936	30,034,243	2.63
Carroll.....	65,514	5,375,883,963	4,272,854,810	200,313,274	129,236,508	329,549,782	3.05
Cecil.....	35,472	2,353,989,479	1,824,523,665	65,301,900	50,059,796	115,361,696	2.80
Charles.....	56,963	4,307,581,401	3,251,745,193	149,394,892	92,882,998	242,277,890	2.90
Dorchester.....	11,091	594,558,765	447,355,915	19,707,492	11,219,752	30,927,244	2.62
Frederick.....	94,109	7,742,027,969	6,150,452,048	286,524,989	180,156,594	466,681,583	2.96
Garrett.....	10,032	560,106,031	429,605,220	18,742,479	11,063,806	29,806,285	2.65
Harford.....	96,088	7,507,596,548	5,926,992,757	273,896,404	179,232,046	453,128,450	3.06
Howard.....	117,463	13,241,750,813	10,972,456,432	524,114,644	349,085,808	873,200,452	3.20
Kent.....	6,996	532,071,030	419,493,814	17,658,455	11,758,216	29,416,671	2.85
Montgomery.....	407,363	45,607,413,448	38,036,993,408	1,789,843,796	1,207,855,837	2,997,699,633	3.20
Prince George's.....	350,327	21,135,567,133	15,047,432,585	678,376,707	468,075,721	1,146,452,428	3.20
Queen Anne's.....	18,037	1,545,411,968	1,218,705,721	56,377,417	38,595,023	94,972,440	3.20
St. Mary's.....	39,420	3,125,352,712	2,479,551,035	115,152,485	73,479,658	188,632,143	3.00
Somerset.....	6,088	287,549,913	207,793,663	8,837,803	6,181,111	15,018,914	3.15
Talbot.....	14,331	1,386,024,598	1,111,304,912	50,085,415	26,353,729	76,439,144	2.40
Washington.....	52,879	3,206,645,143	2,477,483,140	112,926,871	67,604,076	180,530,947	2.80
Wicomico.....	33,278	1,847,909,241	1,400,850,656	59,918,280	43,091,736	103,010,016	3.20
Worcester.....	20,617	1,286,708,049	990,978,118	43,499,534	12,128,750	55,628,284	1.25
Baltimore City.....	195,608	10,898,247,250	8,336,453,230	374,879,099	254,601,156	629,480,255	3.20
Non-resident.....	106,421	5,084,141,177	4,393,936,077	283,212,762		283,212,762	
	2,347,281	\$ 188,349,915,945	\$ 149,947,472,606	\$ 7,014,897,141	\$ 4,303,644,482	\$ 11,318,541,623	

(1) See State personal income tax rates schedules for tax rate information.

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

State Personal Income Tax and Sales Tax Rates Calendar Year 2012-2014*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,001 - \$100,000	4.75%	\$3,001 - \$150,000	4.75%
\$100,001 - \$125,000	5.00%	\$150,001 - \$175,000	5.00%
\$125,001 - \$150,000	5.25%	\$175,001 - \$225,000	5.25%
\$150,001 - \$250,000	5.50%	\$225,001 - \$300,000	5.50%
Over \$250,000	5.75%	Over \$300,000	5.75%

Sales Tax Rate: 6%

*Rates effective January 1, 2012

State Personal Income Tax and Sales Tax Rates Calendar Years 2008 – 2011*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,000 - \$150,000	4.75%	\$3,000 - \$200,000	4.75%
\$150,001 - \$300,000	5.00%	\$200,001 - \$350,000	5.00%
\$300,001 - \$500,000	5.25%	\$350,001 - \$500,000	5.25%
\$500,001 - \$1,000,000	5.50%	\$500,001 - \$1,000,000	5.50%
Over \$1,000,000	6.25% **	Over \$1,000,000	6.25% **

Sales Tax Rate: 6%

*Rates effective January 1, 2008

**Rates for calendar year 2011 were 5.50%

State Personal Income Tax and Sales Tax Rates Calendar Years 2005 – 2007

Personal Income Tax Rate

Year	1 st \$1,000 of Net Taxable Income	2 nd \$1,000 of Net Taxable Income	3 rd \$1,000 of Net Taxable Income	In excess \$3,000 of Net Taxable Income	Sales Tax Rate
2007	2%	3%	4%	4.75%	5%
2006	2	3	4	4.75	5
2005	2	3	4	4.75	5

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st
(Dollars, except income level, Expressed in Thousands)

2013				2012			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Income Tax Liability	Percentage of Total	
\$500,000 and higher	21,935	0.93 %	\$ 1,266,568	18.07 %			
\$100,000-\$499,999	503,837	21.46	3,434,142	48.95			
\$70,000-\$99,999	309,903	13.20	905,699	12.91			
\$50,000-\$69,999	312,548	13.32	615,553	8.77			
\$25,000-\$49,999	621,710	26.49	618,113	8.81			
\$10,000-\$24,999	477,663	20.35	162,722	2.32			
Under \$10,000	99,685	4.25	12,100	0.17			
Total	2,347,281	100.00 %	\$ 7,014,897	100.00 %	\$ 7,101,893	100.00 %	

2011				2010			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Income Tax Liability	Percentage of Total	
\$500,000 and higher	20,027	0.90 %	\$ 1,074,619	17.05 %			
\$100,000-\$499,999	475,139	21.15	3,020,394	47.91			
\$70,000-\$99,999	301,920	13.44	854,629	13.56			
\$50,000-\$69,999	309,545	13.78	591,156	9.38			
\$25,000-\$49,999	609,707	27.15	599,435	9.51			
\$10,000-\$24,999	461,729	20.57	152,585	2.42			
Under \$10,000	68,009	3.03	11,115	0.18			
Total	2,246,076	100.00 %	\$ 6,303,933	100.00 %	\$ 6,130,248	100.00 %	

2009				2008			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Income Tax Liability	Percentage of Total	
\$500,000 and higher	16,589	0.77 %	\$ 901,111	15.76 %			
\$100,000-\$499,999	440,514	20.33	2,700,374	47.24			
\$70,000-\$99,999	294,317	13.58	810,590	14.18			
\$50,000-\$69,999	305,438	14.09	567,707	9.93			
\$25,000-\$49,999	601,213	27.74	585,150	10.24			
\$10,000-\$24,999	440,498	20.33	144,875	2.53			
Under \$10,000	68,464	3.16	6,709	0.12			
Total	2,167,033	100.00 %	\$ 5,716,516	100.00 %	\$ 6,050,442	100.00 %	

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)
 (continued)

2007				2006			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Income Tax Liability	Percentage of Total	
\$500,000 and higher	22,546	0.98 %	\$ 1,343,286	0.89 %	\$ 1,187,583	20.42 %	
\$100,000-\$499,999	422,874	18.43	2,619,517	17.07	2,379,534	40.91	
\$70,000-\$99,999	299,022	13.04	839,000	12.83	818,732	14.08	
\$50,000-\$69,999	310,886	13.55	591,121	13.41	577,995	9.94	
\$25,000-\$49,999	636,783	27.76	669,599	28.17	666,375	11.46	
\$10,000-\$24,999	482,515	21.03	174,561	22.16	172,923	2.97	
Under \$10,000	119,277	5.20	12,218	5.47	13,275	0.23	
Total	2,293,903	100.00 %	\$ 6,249,302	100.00 %	\$ 5,816,417	100.00 %	

2005				2004			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Income Tax Liability	Percentage of Total	
\$500,000 and higher	18,394	0.82 %	\$ 1,064,405	15.04 %	\$ 2,473,983	53.06 %	
\$100,000-\$499,999	354,202	15.84	2,185,588	9.96	638,382	13.69	
\$75,000-\$99,999	282,940	12.66	804,574	16.23	703,769	15.09	
\$50,000-\$74,999	298,942	13.37	573,615	29.23	661,464	14.19	
\$25,000-\$49,999	636,912	28.49	667,108	23.69	171,094	3.67	
\$10,000-\$24,999	511,948	22.90	174,268	5.85	13,758	0.30	
Under \$10,000	132,317	5.92	14,411	100.00 %	\$ 4,662,450	100.00 %	
Total	2,235,655	100.00 %	\$ 5,483,969				

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND
Sales and Use Tax Receipts by Principal Type of Business
Last Ten Fiscal Years
(Expressed in Thousands)

Year	Food and Beverage*	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2014.....	\$ 1,034,463	\$ 199,133	\$ 751,972	\$ 274,024	\$ 295,710	\$ 530,891	\$ 383,069	\$ 103,416	\$ 614,776	\$ 8,542	\$ 4,195,996
2013.....	1,011,944	197,086	754,822	266,675	315,902	501,287	354,509	98,914	605,375	7,783	4,114,297
2012.....	1,013,589	193,049	736,119	268,506	330,226	485,588	349,284	100,832	582,760	16,627	4,076,580
2011.....	891,267	187,014	716,226	259,052	343,897	467,156	367,543	94,654	559,420	10,470	3,896,699
2010.....	864,941	189,057	705,121	239,813	347,243	445,706	370,435	92,241	484,910	14,310	3,753,777
2009.....	851,038	188,931	705,193	252,973	362,374	483,384	404,219	97,355	489,672	16,153	3,851,292
2008.....	776,466	181,302	672,024	249,506	387,590	517,452	356,747	100,922	481,478	25,435	3,748,922
2007.....	689,279	167,918	612,937	234,898	380,999	504,516	316,600	91,628	432,831	16,233	3,447,839
2006.....	664,654	158,839	601,431	230,753	380,642	530,214	284,661	88,754	418,491	23,257	3,381,696
2005.....	624,292	151,837	568,018	221,341	360,580	475,135	254,860	84,498	390,889	22,226	3,153,676

Source: Revenue Administration Division, Comptroller's Office

*The 2011 Session of the Maryland General Assembly approved legislation increasing the sales tax on alcoholic beverages from 6% to 9% effective fiscal year 2012.

STATE OF MARYLAND
Schedule of Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars Expressed in Thousands except Per Capita)

Fiscal Year	General Bonded Debt				Other Governmental Activities Debt				Debt Ratios, Governmental Activities				Business-Type Activities Debt				Total				Debt Ratios, Primary Government			
	General Obligation Bonds	Transportation Bonds	Capital Leases	Transportation Debt/Other Liabilities(2)	Capital Leases with Component Units	Total Governmental Activities		Percentage of Personal Income(1)	Per Capita(1)	Business-Type Activities		Revenue Bonds	Capital Leases	Total Business-Type Activities		Primary Government Debt	Percentage of Personal Income(1)	Per Capita(1)						
						Debt	Activities			Debt	Activities													
2014...	\$ 8,362,347	\$ 1,812,670	\$ 915,393		\$ 163,574	\$ 11,253,984	3.50 %	\$ 1,898	\$ 5,939,721	\$ 17,480	\$ 5,957,201	\$ 17,211,185	5.35 %	\$2,903										
2013...	8,005,802	1,618,290	766,393		186,706	10,577,191	3.34	1,797	6,220,872	31,024	6,251,896	16,829,087	5.31	2,860										
2012...	7,541,102	1,562,630	755,653		210,676	10,070,061	3.41	1,728	6,377,228	56,212	6,433,440	16,503,501	5.59	2,832										
2011...	6,982,846	1,561,840	755,778		214,590	9,515,054	3.35	1,645	6,504,780	44,886	6,549,666	16,064,720	5.66	2,776										
2010...	6,523,222	1,645,010	798,201		232,762	9,199,195	3.31	1,614	6,161,633	5,261	6,166,894	15,366,089	5.53	2,696										
2009...	5,873,643	1,582,605	848,208		250,407	8,554,863	3.14	1,519	5,422,501	5,748	5,428,249	13,983,112	5.13	2,482										
2008...	5,493,830	1,268,815	515,134	\$ 373,319	265,767	7,916,865	3.02	1,409	5,041,339	648	5,041,987	12,958,852	4.94	2,307										
2007...	5,142,154	1,111,050	535,482		278,265	7,457,980	3.03	1,331	4,140,383	1,124	4,141,507	11,599,487	4.70	2,071										
2006...	4,868,472	1,079,340	519,592	404,320	293,140	7,164,864	3.08	1,286	2,882,855	1,256	2,884,111	10,048,975	4.31	1,803										
2005...	4,511,826	1,071,620	440,236	409,587	304,220	6,737,489	3.06	1,217	2,825,315	1,673	2,826,988	9,564,477	4.34	1,727										

Source: General Accounting Division, State Comptroller's Office

(1) Population and personal income data can be found in the Schedule of Demographics Statistics.

(2) Transportation debt/other liabilities was reclassified as capital leases beginning in fiscal year 2009.

STATE OF MARYLAND
Ratio of General Bonded Debt
To Actual Value and General Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	<i>(Expressed in Thousands)</i>			Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
	Estimated Population (1)	Estimated Property Value	General Bonded Debt (2)		
2014.....	5,929	\$ 647,265,360	\$ 8,362,347	1.29 %	\$ 1,410
2013.....	5,885	641,751,347	8,005,802	1.25	1,360
2012.....	5,828	653,376,073	7,541,102	1.15	1,294
2011.....	5,786	689,329,692	6,982,846	1.01	1,207
2010.....	5,699	731,809,178	6,523,222	0.89	1,145
2009.....	5,634	707,573,095	5,873,643	0.83	1,043
2008.....	5,618	633,453,169	5,493,830	0.87	978
2007.....	5,602	527,012,375	5,142,154	0.98	918
2006.....	5,573	452,249,831	4,868,472	1.08	874
2005.....	5,537	398,065,083	4,511,826	1.13	815

Source: The Sixty-First through Seventieth Report of the State Department of Assessments and Taxation and the State Comptroller's Office

(1) See Schedule of Demographic Statistics.

(2) Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.

STATE OF MARYLAND
Legal Debt Margin Information
Last Ten Fiscal Years
(Expressed in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2014

Debt Limit (1).....	\$ 13,918,130
Debt applicable to limit:	
General obligation bonds.....	8,362,347
Transportation bonds.....	1,812,670
Nontraditional Transportation debt (2)...	752,210
Less amounts set aside for replacement of:	
General obligation debt.....	195,168
Transportation debt.....	116,085
Total net debt applicable to limit.....	<u>10,615,974</u>
Legal debt margin.....	<u>\$ 3,302,156</u>

Year ended June 30,

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit.....	\$ 13,918,130	\$ 13,169,535	12,388,337	\$ 11,790,027	\$ 11,410,017	\$ 9,822,844	\$ 9,780,943	\$ 9,064,691	\$ 8,730,531	\$ 7,819,314
Total net debt applicable to limit.....	10,615,974	10,033,126	9,438,132	8,948,851	8,658,167	8,015,376	7,400,792	6,924,327	6,572,782	5,463,019
Legal debt margin.....	\$ 3,302,156	\$ 3,136,409	2,950,205	\$ 2,841,176	\$ 2,751,850	\$ 1,807,468	\$ 2,380,151	\$ 2,140,364	\$ 2,157,749	\$ 2,356,295

Total net debt applicable to limit as a percentage of debt limit.....	76.27%	76.18%	76.19%	75.90%	75.88%	81.60%	75.67%	76.39%	75.29%	69.87%
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Source: General Accounting Division, State Comptroller's Office

(1) For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session. There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed \$2,000,000,000, up to June 30, 2007, \$2,600,000,000, through June 30, 2009, and \$4,500,000,000, through June 30, 2013 and thereafter.

(2) The 2013 session of the General Assembly established a maximum outstanding principal amount of \$724,700,000 as of June 30, 2014, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

STATE OF MARYLAND
Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as
Defined for Purposes of Consolidated Transportation Bonds Coverage Tests

Last Ten Fiscal Years

(Expressed in Thousands)

	Year ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Taxes and fees:										
Taxes pledged to bonds (2)(3)(5)(6).....	\$ 1,590,767	\$ 1,382,135	\$ 1,277,770	\$ 1,300,022	\$ 1,244,280	\$ 1,234,750	\$ 1,139,321	\$ 1,196,568	\$ 1,221,720	\$ 1,220,851
Other taxes and fees (4)	586,514	572,894	475,561	439,657	415,409	418,734	404,082	410,614	391,618	381,516
Total taxes and fees	2,177,281	1,955,029	1,753,331	1,739,679	1,659,689	1,653,484	1,543,403	1,607,182	1,613,338	1,602,367
Operating Revenues.....	409,952	407,187	402,056	390,547	388,587	392,772	395,003	369,241	340,742	328,273
Investment income.....	29,139	30,785	40,015	60,458	394	3,996	3,683	10,574	8,211	4,928
Other (1)	2,154	758	2,750	1,004	(3,600)	(3,666)	4	39,836	87,640	75,902
Total revenues.....	2,618,526	2,393,759	2,198,152	2,191,688	2,045,070	2,046,586	1,942,093	2,026,833	2,049,931	2,011,470
Administration, operation and										
maintenance expenditures.....	1,842,785	1,638,407	1,572,181	1,547,339	1,582,578	1,526,965	1,488,310	1,396,872	1,302,582	1,237,446
Less: Federal funds.....	(90,567)	(72,397)	(92,737)	(90,733)	(90,761)	(93,729)	(79,228)	(72,598)	(70,828)	(79,892)
Total	1,752,218	1,566,010	1,479,444	1,456,606	1,491,817	1,433,236	1,409,082	1,324,274	1,231,754	1,157,554
Net revenues	\$ 866,308	\$ 827,749	\$ 718,708	\$ 735,082	\$ 553,253	\$ 613,350	\$ 533,011	\$ 702,559	\$ 818,177	\$ 853,916
Maximum annual principal and interest										
requirements.....	\$ 270,527	\$ 237,394	\$ 219,765	\$ 210,714	\$ 210,714	\$ 197,281	\$ 153,661	\$ 129,550	\$ 121,412	\$ 141,172
Ratio of net revenues to maximum annual										
principal and interest requirements.....	3.20	3.49	3.27	3.49	2.63	3.11	3.47	5.42	6.74	6.05
Ratio of taxes pledged to bonds to maximum										
annual principal and interest requirements ..	5.88	5.82	5.81	6.17	5.91	6.26	7.41	9.24	10.06	8.65

Source: The Maryland Department of Transportation, the Secretary's Office, Office of Finance.

- (1) 2007 was the last year for the transfer of \$43,000,000, from Maryland Transportation Authority to the Transportation Trust Fund.
- (2) The State's sales tax and the Vehicle Excise Tax (Titling tax) were increased from 5% to 6%, effective January 1, 2008. In addition, effective July 1, 2008, the percentage of titling tax retained by the Department was increased incrementally to fiscal year 2014 from 76% to 93.6%.
- (3) The Department was allocated 6.5% of the State's sales tax effective July 1, 2008. The distribution was reduced to 5.3% in fiscal years 2010 and 2011 and ended July 1, 2011.
- (4) The Transportation Trust Fund transferred \$40,000,000, of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.
- (5) The allocation of the corporate income tax to the Department was changed from 24% to 17.2% in fiscal year 2012, 9.5% in fiscal year 2013, and 19.5% through fiscal year 2016.
- (6) The motor fuel tax rate was increased based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel beginning in fiscal year 2014.

STATE OF MARYLAND
Ratio of Pledged Assets to
Revenue Bonds, Community Development Administration
Last Ten Fiscal Years

(Expressed in Thousands)

	Pledged Assets (1)	Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2014.....	\$ 3,015,137	\$ 2,507,082	1.20 %
2013.....	3,311,864	2,766,326	1.20
2012.....	3,542,214	2,926,149	1.21
2011.....	3,627,287	3,047,472	1.19
2010.....	3,717,989	3,136,883	1.19
2009.....	3,517,631	2,983,490	1.18
2008.....	3,489,271	2,971,219	1.17
2007.....	3,497,373	3,016,848	1.16
2006.....	2,476,342	2,040,485	1.21
2005.....	2,439,264	1,973,583	1.24

(1) Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

STATE OF MARYLAND
Schedule of Demographic Statistics
Last Ten Years

	Population (1)	Total Personal Income (2) (Expressed in Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2014	5,928,814	\$ 321,688,894	\$ 54,259	994,380	6.0 %
2013	5,884,563	316,681,620	53,816	992,828	6.8
2012	5,828,289	295,235,516	50,656	961,486	6.8
2011	5,785,982	283,919,505	49,070	993,996	7.2
2010	5,699,478	278,026,000	48,781	984,134	7.4
2009	5,633,597	272,542,169	48,378	975,861	5.9
2008	5,618,899	264,367,477	47,050	1,024,803	3.7
2007	5,602,258	252,780,827	45,121	1,036,523	3.9
2006	5,575,552	237,522,127	42,601	1,050,627	3.8
2005	5,538,989	225,022,781	40,625	1,053,378	4.2

Sources:

- (1) U.S. Census Bureau, "Intercensal Estimates of the Resident Population for States", April 1, 2010 - July 1, 2013, revised December, 2013. Estimates for the calendar year except that the current year amount is a projected estimate for the year.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on May 30, 2014. All estimates of state personal income are subject to BEA's flexible annual revision schedule.
- (3) Figures are for the calendar year. State Department of Education, grades pre-kindergarten thru grade 12. Includes public and nonpublic schools. 2014 data for nonpublic schools is incomplete.
- (4) Figures are for the fiscal year. State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND
Schedule of Employment by Sector
Prior Year and Nine Years Prior

	Calendar Year 2013 (1)			Calendar Year 2004 (2)		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:						
State and local	342,461	\$ 17,611,675	\$ 989	319,420	\$ 13,134,502	\$ 791
Federal	144,612	13,031,092	1,733	126,922	8,949,754	1,356
Total government	487,073	30,642,767	1,210	446,342	22,084,256	952
Manufacturing	106,501	7,369,033	1,331	143,172	7,634,577	1,025
Natural resources and mining	6,338	239,973	728	6,687	211,107	607
Construction	146,207	8,201,840	1,079	175,967	7,747,169	847
Trade, transportation, and utilities	445,462	18,510,631	799	463,227	16,255,823	675
Information services	39,491	3,203,134	1,560	50,121	3,056,880	1,173
Financial activities	138,212	11,102,161	1,545	156,352	9,340,823	1,149
Professional and business services	417,061	29,586,812	1,364	370,638	18,746,105	973
Education and health services	403,282	19,660,849	938	333,435	13,036,630	752
Leisure and hospitality	254,166	5,137,793	389	224,371	3,934,236	337
Unclassified and other services	88,610	3,257,942	707	90,762	2,633,774	558
Total of all sectors	2,532,403	\$ 136,912,935	\$ 1,040	2,461,074	\$ 104,681,380	\$ 818

(1) Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publications "Employment and Payroll 2013 Annual Averages" issued June, 2014. This report reflects the new North American Industry Classification System (NAICS) coding revisions.

(2) Source: DLLR Website - <http://dllr.maryland.gov/lmi/emppay/md2004ep.shtml>

STATE OF MARYLAND
Maryland's Ten Largest Private Employers*

Calendar Years		
Employer (Listed Alphabetically)		
2014, 2013, 2012 and 2011	2010 and 2009	2008
Giant Food LLC Helix Health System Inc. Home Depot Inc. Johns Hopkins Hospital Johns Hopkins University Northrop Grumman Corporation Safeway Inc. Target University of Maryland Medical System Walmart	Adventist Healthcare Giant Food LLC Helix Health Systems Inc. Johns Hopkins Hospital Johns Hopkins University Northrop Grumman Corporation Safeway Inc. Target University of Maryland Medical System Walmart	Giant Food LLC Helix Health System Inc. Home Depot Inc. Johns Hopkins Hospital Johns Hopkins University Northrop Grumman Corporation Safeway Inc. University of Maryland Medical System United Parcel Service Walmart
2007	2006 and 2005	
Giant Food LLC Helix Health System Inc. Home Depot Inc. Johns Hopkins Hospital Johns Hopkins University Macy's Northrop Grumman Corporation Safeway Inc. United Parcel Service Walmart	Giant Food LLC Helix Health System Inc. Home Depot Inc. Johns Hopkins Hospital Johns Hopkins University Northrop Grumman Corporation Safeway Inc. Target United Parcel Service Walmart	

Source: Department of Labor, Licensing and Regulation; Office of Labor Market
Analysis and Information – Major Employer List – March 2014

*Information such as the number of employees or the employers' percentage of total employment is not available for disclosure.

STATE OF MARYLAND
State Employees by Function/Program
Last Ten Fiscal Years

	Year ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
State Employees:										
Governmental activities:										
General government.....	5,922	5,396	5,487	5,479	5,695	5,813	5,770	5,712	5,656	5,493
Health and mental hygiene.....	10,416	9,743	9,929	9,459	10,103	10,880	11,441	11,661	11,668	11,633
Education.....	2,509	2,253	2,227	2,162	2,250	2,450	2,445	2,504	2,425	2,295
Human resources.....	6,232	6,149	6,268	6,327	6,456	6,503	6,605	6,713	6,767	6,910
Public safety.....	15,449	15,443	15,625	15,547	15,759	16,311	15,791	15,603	15,307	15,207
Transportation.....	6,082	6,095	6,201	6,137	6,405	6,638	6,572	6,518	6,523	6,599
Judicial.....	6,158	5,937	5,905	5,935	5,854	6,109	5,982	5,851	5,744	5,496
Labor, licensing and regulation.....	1,971	1,793	1,906	1,962	1,879	1,662	1,644	1,682	1,647	1,667
Natural resources and recreation.....	2,349	2,049	2,100	2,135	2,111	2,104	2,070	2,008	1,970	2,028
Housing and community development.....	210	386	385	268	274	246	209	228	256	262
Environment.....	915	931	927	958	1,000	960	913	926	922	901
Agriculture.....	472	446	436	450	482	482	511	481	499	500
Business and economic development.....	164	169	170	167	163	228	275	295	340	307
Total governmental activities employees.....	58,849	56,790	57,566	56,986	58,431	60,386	60,228	60,182	59,724	59,298
Business-type activities:										
Economic development - insurance programs.....	287	265	268	266	262	237	208	201	210	201
Maryland Lottery and Gaming Control Agency.....	269	248	215	200	181	189	183	185	183	169
Maryland Transportation Authority.....	1,683	1,644	1,681	1,650	1,660	1,652	1,652	1,594	1,502	1,503
Maryland Correctional Enterprises.....	190	183	194	184	200	204	201	184	187	164
Total business-type employees.....	2,429	2,340	2,358	2,300	2,303	2,282	2,244	2,164	2,082	2,037
Total primary government employees.....	61,278	59,130	59,924	59,286	60,734	62,668	62,472	62,346	61,806	61,335
Component Units:										
Higher Education.....	45,332	41,676	39,005	39,259	39,411	38,985	37,988	36,132	34,882	39,388
Prepaid College Trust*	18	17	14	15	17	16	16	16		
Stadium Authority.....	129	123	112	112	108	117	108	120	98	93
Other component units.....	27	27	29	29	28	24	24	27	42	59
Total component units employees.....	45,506	41,843	39,160	39,415	39,564	39,142	38,136	36,295	35,022	39,540

Source: Central Payroll Bureau, State Comptroller's Office

*Information for prior years is included in the total for "Other Component Units".

STATE OF MARYLAND

Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function

Last Ten Fiscal Years

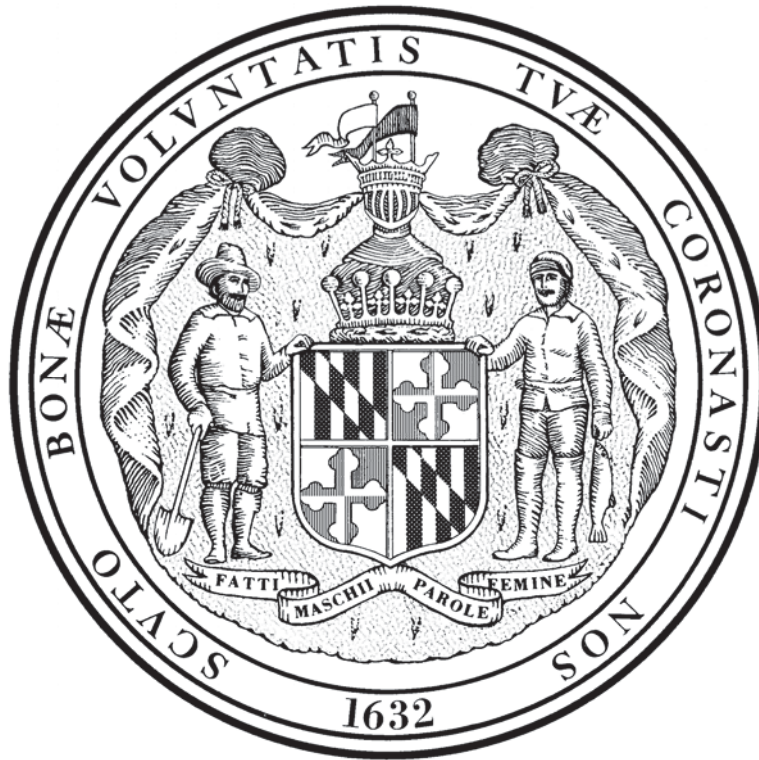
Date of Ratification..... 1788										
Form of Government..... Legislative - Executive - Judicial										
Land Area..... 9844 square miles										
Function/Program	2014 (1)	2013	2012	2011	2010	2009	2008	2007	2006	2005
Education, Public School Enrollment.....	\$ 827,999	\$ 823,452	\$ 821,106	\$ 817,610	\$ 814,609	\$ 815,742	\$ 823,732	\$ 827,596	\$ 829,007	\$ 828,961
Health and Human Resources:										
Medicaid Enrollment.....	985,587	841,812	810,593	764,500	676,187	569,964	532,082	520,436	629,500	638,085
Children's Health Program Enrollment.....	112,855	111,132	103,011	98,000	97,998	105,617	108,504	105,999	103,260	95,019
WIC Food Program Recipients.....	150,000	144,923	146,787	155,000	148,670	144,072	132,483	121,471	113,100	108,574
Mental Hygiene Clients.....	184,104	167,680	159,124	152,953	122,046	111,678	99,382	93,933	92,715	92,608
Public Assistance Caseload (AFDC/TANF).....	64,359	67,436	72,413	67,422	67,422	58,426	51,554	50,149	57,589	65,782
Foster Care and Subsidized Adoption Average Caseload.....	15,090	15,386	14,230	15,297	15,093	14,235	14,839	13,806	13,956	14,762
Public Safety:										
Correctional Institutions Average Daily Population.....	23,629	24,686	25,450	21,159	20,891	22,778	22,943	21,680	26,475	26,938
Parole and Probation, Active Cases under Supervision.....	52,225	52,187	50,982	55,200	54,939	54,484	48,600	52,147	49,244	50,112
Youth Residential Programs, Average Daily Population.....	1,200	1,201	1,304	1,468	1,406	1,519	1,625	1,646	1,728	1,747
Average Monthly number of Youths on Probation.....	2,700	2,983	3,375	5,015	5,015	6,760	6,610	6,247	6,568	6,765
Public Safety (State Police):										
Number of Police Stations.....	26	25	25	25	25	26	26	26	26	26
Number of State Police.....	1,570	1,562	1,563	1,565	1,565	1,567	1,590	1,591	1,591	1,593
Motor Vehicle citations (calendar year).....	385,000	384,500	336,094	348,459	381,915	390,100	446,505	430,284	462,252	482,219
Motor Vehicle - Number of Collisions (calendar year).....	88,800	88,700	89,285	102,000	90,517	98,352	100,700	100,707	101,785	102,546
Judicial, Total Filings.....	N/A	2,050,561	2,056,603	2,105,728	2,155,864	2,208,268	2,363,183	2,383,668	2,410,038	2,422,466
Transportation:										
Miles of State Highway.....	5,273	5,264	5,266	5,254	5,244	5,240	5,242	5,241	5,235	5,234
Lane Miles Maintained.....	17,063	17,050	17,042	16,988	16,961	16,895	16,857	16,787	16,731	16,717
Expenditures per Lane Mile.....	\$ 8,261	\$ 8,655	\$ 8,618	\$ 8,171	\$ 7,572	\$ 8,913	\$ 8,764	\$ 8,990	\$ 7,812	\$ 7,957
Number of Bridges (2).....	1,496	1,434	1,182	1,183	1,180	1,180	1,176	1,155	1,155	1,155
Motor Vehicle Registrations.....	4.9 million	4.8 million	4.9 million	5.0 million	4.8 million	4.6 million	4.8 million	5.0 million	5.1 million	5.0 million
BWT Airport Passengers (calendar year).....	22.7 million	22.2 million	22.8 million	22.5 million	21.7 million	19.6 million	20.4 million	20.8 million	19.7 million	19.1 million
Acres Agricultural Land Preserved - all programs.....	587,757	574,838	572,680	563,482	554,285	534,906	482,236	482,236	459,871	430,000
Department of Housing and Community Development:										
Active Single Family/Multifamily Bond Financed Loans (4).....	14,919	15,426	16,796	16,456	16,405	16,906	16,648	14,250	12,213	13,769
Department of Business and Economic Development:										
Number of businesses assisted (3).....	9	9	13	17	24	50	428	1,600	1,600	1,146
Number of workers trained.....	161	79	262	637	547	1,007	2,710	7,417	12,425	9,694
Higher Education (Universities, Colleges and Community Colleges):										
Number of Campuses in State.....	29	29	29	29	29	29	29	29	29	29
Number of Educators (5).....	8,298	8,271	9,892	9,671	9,421	9,190	9,224	9,021	8,711	8,606
Number of Students.....	296,805	302,115	298,273	286,106	280,196	269,287	263,636	255,969	256,580	251,984
Number of State Scholarships Awarded (6).....	43,318	45,212	40,485	65,544	52,965	58,935	58,552	56,495	52,576	47,025

Recreation:

Number of State Parks and Forests.	66	66	66	65	65	64	61	58	60
State Parks Daily Visitors.	10.3 million	11.2 million	11.8 million	10.5 million	10.1 million	10.7million	11.3 million	11.3 million	11.1 million
Area of State Parks, Acres.	97,414	96,130	95,199	95,196	94,729	94,520	93,972	93,683	93,661
Area of State Forests, Acres.	145,200	143,430	142,979	142,058	141,789	141,434	140,433	138,587	136,093

Sources: State Comptroller's Office, General Accounting Division, Central Payroll Bureau, www.msa.md.us/msa/mdmanual, Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland

- (1) These amounts are estimates.
- (2) Maryland's portion of the National Highway System was recently expanded beginning in 2013 due to Federal Highway Legislation.
- (3) Restructuring of training programs in 2009 has led to reduced funding for the Partnership for Workforce Quality Program (PWQ).
- (4) CDA relies completely on the reporting of two different Master Servers on the underlying loans that comprise the Mortgage-backed securities held by CDA at fiscal year end.
- (5) Large reduction of faculty count is due to exclusion of faculty at Clinical Medicine at UMB, faculty at extension services, and continuing education faculty beginning in 2013.
- (6) Legislative scholarships are not included due to a change in awarding practices begun in FY 2012.





Financial Schedules Required by Law



*These schedules are
required to be submitted
by the Comptroller
by Title 2, Section 102
of the State Finance and
Procurement Article
of the Annotated Code
of Maryland*



STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2014
(Expressed in Thousands)

	Annual Budgeted Funds													Capital Projects Fund Actual Revenues					
	General Fund			Special Fund			Federal Fund			Higher Education Funds									
	Estimated Revenues	Actual Revenues		Estimated Revenues	Actual Revenues		Estimated Revenues	Actual Revenues		Current		Restricted Fund Estimated Revenues	Actual Revenues						
										Unrestricted Fund Estimated Revenues	Actual Revenues								
Taxes:																			
Property tax.	\$	89,199	\$	91,469	\$	803,677	\$	877,560						\$	969,029				
Franchise and corporation tax.		127,331		139,346											139,346				
Death taxes.		203,290		213,785											213,785				
Admission and amusement tax.		7,830		8,104		4,269		5,073							13,177				
Alcohol beverages tax.		30,561		30,808											30,808				
Motor vehicle fuel taxes.		5,000		5,000		840,688		807,739							812,739				
Income taxes.		8,659,864		8,534,982		236,529		223,850							8,758,832				
Sales and use taxes.		4,123,351		4,143,174		32,231		52,822							4,195,996				
Tobacco taxes.		412,973		402,403											402,403				
Motor vehicle titling taxes.						728,000		740,835							740,835				
Insurance company taxes.		310,112		334,807		127,193		140,487							475,294				
Horse racing taxes.						3,712		3,071							3,071				
Shellfish taxes.								498							498				
Boxing, wrestling or sparring taxes. .				750		7									750				
Boat titling tax.						7,536		15,766							15,766				
Energy generation tax.						23,913		50,288							50,288				
Emergency telephone system tax.						57,373		59,784							59,784				
Total taxes.	13,969,511		13,904,628		2,865,128		2,977,773								16,882,401				
Other:																			
Licenses and permits.		46,777		42,934		603,466		606,503							649,437				
Fees for services.		150,814		139,265		1,033,911		976,043							1,115,308				
Fines and costs.		153,041		154,809		196,372		154,812							309,621				
Sales to the public.		15,840		15,643		576,468		84,597							100,240				
Commissions and royalties.		130		5		89,139		78,300							78,305				
Rentals.		200		2,351		87,001		102,168							104,519				
Interest on investments.		15,000		29,838		1,656		10,445		\$	1,706				41,989				
Interest on loan repayments.				1		6,000		1,020							1,021				
Miscellaneous.		102,828		129,996		170,831		164,269							294,265				
Colleges and universities.												\$	1,330,607	\$	3,925,693				
Federal reimbursements and grants. .															9,769,940				
Other reimbursements.		123,747		112,048		1,352,965		1,149,362		\$	10,578,899		9,769,940		1,261,410				
Bond issues:																			
State - general purpose.														\$	979,304				
Consolidated transportation bonds. .						455,000		325,000							325,000				
Premiums.						156,704		128,145							128,145				
State reimbursements.		518,264		477,049		189,247		187,580						35,318	699,947				
Appropriated from other funds.												1,281,243			1,281,243				
Trust funds.						18,188		3,329							3,329				
Revolving accounts.		7,750		8,829		7,577		8,314							17,143				
Total revenues.	\$	15,103,902	\$	15,017,396	\$	7,809,653	\$	6,957,660	\$	10,578,899	\$	9,771,646	\$	4,049,722	\$	37,968,260			
																\$	1,014,622	\$	1,244,469

STATE OF MARYLAND
Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Annual Budgeted Funds														
							Higher Education Funds								
	General Fund		Special Fund		Federal Fund		Current		Current		Capital Projects Fund				
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual					
Expenditures and Encumbrances by Major Function*												Total Actual			
Payments of revenue to civil divisions of the State.....	\$	155,467	\$	155,467								\$	155,467		
Public debt.....			\$		\$	887,744	\$	886,332	\$	12,381	\$	11,406	897,738		
Legislative.....	79,142	78,353											78,353		
Judicial review and legal.....	519,059	516,212		130,782	114,673	10,352	8,440						639,325		
Executive and administrative control.....	271,252	269,452		339,114	305,111	307,887	288,137						862,700		
Financial and revenue administration.....	274,389	265,544		122,774	119,217								384,761		
Budget and management.....	55,981	50,360		26,419	16,535	11,354	10,842						77,737		
Retirement and pension.....				19,062	18,869								18,869		
General services.....	61,637	61,637		3,420	3,406	1,151	1,150						66,193		
Transportation and highways.....				3,331,529	3,115,335	979,490	890,586						4,005,921		
Natural resources and recreation.....	49,585	49,415		151,583	145,686	35,222	32,758						227,859		
Agriculture.....	26,917	26,707		70,100	67,970	5,879	3,872						98,549		
Health, hospitals and mental hygiene.....	4,068,751	4,060,596		1,239,353	1,226,762	5,586,352	5,363,102						10,650,460		
Human resources.....	657,042	652,142		132,142	106,001	1,906,836	1,817,823						2,575,966		
Labor, licensing and regulation.....	42,898	42,711		128,945	116,342	185,859	179,969						339,022		
Public safety and correctional services.....	1,142,875	1,137,521		155,977	132,042	29,225	28,122						1,297,685		
Public education.....	7,473,436	7,468,095		551,517	529,331	1,116,906	1,048,084	\$	4,049,722	\$	3,906,006	\$	14,196,320		
Housing and community development.....	8,710	8,680		93,818	88,862	271,000	252,137						349,679		
Business and economic development.....	84,624	83,290		72,373	70,490	22,924	5,255						159,035		
Environment.....	36,795	36,568		261,156	249,373	78,240	73,364						359,305		
Juvenile services.....	276,800	275,597		5,939	4,198	8,264	7,939						287,734		
State police.....	228,140	226,204		85,906	75,839	9,577	4,281						306,324		
State reserve fund.....	55,256	55,256											55,256		
Loan accounts.....	83,000	83,000										\$	948,335		
Reversions:													1,031,335		
Current year reversions.....	(30,000)														
Prior year reversions.....		(64,299)			(34,926)		(98,498)			(838)	(40)		(198,601)		
Total expenditures and encumbrances	\$	15,621,756	\$	15,538,508	\$	7,809,653	\$	7,357,448	\$	10,578,899	\$	9,928,769	\$	948,335	
														\$	38,922,992

* Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Changes in Fund Equities - Budgetary Basis
For the Year Ended June 30, 2014
(Expressed in Thousands)

	General Fund		Special Fund		Federal Fund		Higher Education Funds			Total
	General	State Reserve	Special	Debt Service	Federal Fund		Current Unrestricted Fund	Current Restricted Fund	Capital Projects Fund	
Fund equities, June 30, 2013.....	\$ 601,080	\$ 720,199	\$ 1,752,773	\$ 199,242			\$ 960,402	\$ 5,428	\$ 201,767	\$ 4,440,891
Increase:										
Revenues.....	14,954,243	63,153	6,127,503	830,157	\$ 9,771,646		3,962,467	1,244,469	1,014,622	37,968,260
Decrease:										
Appropriations.....	15,651,756		6,921,909	887,744	10,578,899		4,049,722	1,330,607		
Less: Current year reversions.....	(48,949)		(415,867)	(1,412)	(551,632)		(143,716)	(85,803)		
Prior year reversions.....	(64,299)		(34,926)		(98,498)		(838)	(40)		
Expenditures and encumbrances*.....	15,538,508		6,471,116	886,332	9,928,769		3,905,168	1,244,764	948,335	38,922,992
Changes to encumbrances during fiscal year 2014.....	(8,416)		(164,734)		(13,596)		(203)	82		(186,867)
Expenditures.....	15,530,092		6,306,382	886,332	9,915,173		3,904,965	1,244,846	948,335	38,736,125
Transfers in (out).....	229,925	(10,819)	304,248	6,109	143,527		(39,890)	(103)		632,997
Fund equities, June 30, 2014.....	\$ 255,156	\$ 772,533	\$ 1,878,142	\$ 149,176	\$ -		\$ 978,014	\$ 4,948	\$ 268,054	\$ 4,306,023
Fund Balance:										
Reserved:										
Encumbrances.....	\$ 107,598	\$ -	\$ 849,520		\$ 445,072		\$ 920	\$ 130	\$ 628,680	\$ 2,031,920
State reserve fund.....	\$ -	\$ 772,533								\$ 772,533
Loans and notes receivable.....			\$ -	1,932						1,932
Shore erosion loan program.....			8,715							8,715
Gain/Loss on Investments.....			882							882
Unreserved:										
Designated for:										
General long-term debt service.....				147,244						147,244
2015 operations.....	126,968									126,968
Undesignated surplus (deficit).....	20,590		1,019,025		(445,072)		977,094	4,818	(360,626)	1,215,829
Total.....	\$ 255,156	\$ 772,533	\$ 1,878,142	\$ 149,176	\$ -		\$ 978,014	\$ 4,948	\$ 268,054	\$ 4,306,023

*Appropriations and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Funds Transferred to Political Subdivisions
For the Year Ended June 30, 2014 (1)
(Expressed in Thousands)

Subdivision	State Sources			Other Sources			Assessed Value of Real and Personal Property (2)	Amount Per \$100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered Local Revenue		
Allegany.....	\$ 443	\$ 120,986	\$ 2,362	\$ 123,791	\$ 21,976	\$ 26,741	\$ 172,508	\$ 4.45
Anne Arundel.....	2,720	491,844	32,277	526,841	72,698	462,579	1,062,118	1.37
Baltimore County.....	3,836	849,885	28,607	882,328	142,756	672,388	1,697,472	2.17
Calvert.....	588	110,324	8,053	118,965	12,898	72,322	204,185	1.67
Caroline.....	368	61,768	394	62,530	10,975	11,561	85,066	3.29
Carroll.....	1,042	191,257	5,734	198,033	19,221	131,362	348,616	1.89
Cecil.....	602	137,781	8,446	146,829	21,384	53,778	221,991	2.31
Charles.....	879	221,893	29,498	252,270	27,096	98,959	378,325	2.32
Dorchester.....	411	51,308	2,369	54,088	11,449	11,852	77,389	2.66
Frederick.....	1,253	307,659	22,156	331,068	31,910	174,473	537,451	2.08
Garrett.....	492	39,072	80	39,644	8,889	13,242	61,775	1.39
Harford.....	1,291	289,317	16,443	307,051	38,662	199,237	544,950	2.10
Howard.....	1,467	335,220	29,338	366,025	35,913	395,355	797,293	1.77
Kent.....	211	20,528	272	21,011	5,872	14,674	41,557	1.41
Montgomery.....	3,436	934,327	62,842	1,000,605	135,602	1,378,508	2,514,715	1.49
Prince George's.....	2,692	1,227,763	28,903	1,259,358	184,681	498,559	1,942,598	2.53
Queen Anne's.....	491	55,370	4,648	60,509	9,030	44,333	76,776,647	1.50
St. Mary's.....	722	127,286	9,663	137,671	18,737	83,891	240,299	2.01
Somerset.....	262	43,742	1,578	45,582	10,789	6,749	63,120	4.42
Talbot.....	304	23,189	131	23,624	7,896	31,131	62,651	0.74
Washington.....	814	223,055	9,249	233,118	34,169	71,997	339,284	2.77
Wicomico.....	600	172,314	20,531	193,445	28,240	45,792	267,477	4.34
Worcester.....	471	39,671	4,850	44,992	12,564	18,525	76,081	0.53
Baltimore City.....	119,492	1,381,959	29,589	1,531,040	326,650	300,838	2,158,528	6.22
Total.....	\$ 144,887	\$ 7,457,518	\$ 358,013	\$ 7,960,418	\$ 1,230,057	\$ 4,818,846	\$ 14,009,321	\$ 668,203,035

(1) In addition to the amounts shown for counties and Baltimore City, \$139,685,000, was distributed to municipalities within the counties.

(2) Source: Seventieth Report of the Department of Assessments and Taxation, dated January 2014. Assessed value of property is 100%

STATE OF MARYLAND
Schedule of Taxes Receivable from
Collectors of State Property Taxes
June 30, 2014

(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany.....	\$ 347	\$ 188	\$ 535
Anne Arundel.....	644	194	838
Baltimore County.....	519	182	701
Calvert.....	330	11	341
Caroline.....	49	8	57
Carroll.....	153	52	205
Cecil.....	91	9	100
Charles.....	50	95	145
Dorchester.....	240	108	348
Frederick.....	19	199	218
Garrett.....	318	7	325
Harford.....	167	16	183
Howard.....	50	974	1,024
Kent.....	194	22	216
Montgomery.....	729	(987)	(258)
Prince George's.....	210	510	720
Queen Anne's.....	18	4	22
St. Mary's.....	317	67	384
Somerset.....	191	256	447
Talbot.....	17	4	21
Washington.....	332	(329)	3
Wicomico.....	94	84	178
Worcester.....	475	47	522
Baltimore City.....	370	11,673	12,043
Total.....	\$ 5,924	\$ 13,394	\$ 19,318

STATE OF MARYLAND
Schedule of Estimated Revenues - Budgetary Basis
For the Year Ending June 30, 2015
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income Taxes	\$ 9,249,388	\$ 227,891			\$	9,477,279
Retail sales and use tax and licenses	4,350,494	64,309				4,414,803
Motor vehicle fuel taxes and licenses	5,000	924,979				929,979
Motor vehicle tax and licenses		1,146,400				1,146,400
Property taxes	144,189	774,100 (1)				918,289
Insurance company taxes, licenses and fees	317,883					317,883
Franchise and corporation taxes	227,409					227,409
State tobacco tax and licenses	411,988					411,988
Alcoholic beverages taxes and licenses	32,583					32,583
Death taxes	224,279					224,279
Miscellaneous taxes, fees and other revenues	171,784	165,957 (1)	\$ 11,490 (1)			349,231
Budgeted tobacco settlement recoveries		197,588				197,588
Horse racing taxes and licenses		2,399				2,399
District courts fines and costs	75,813					75,813
Interest on investments	20,361	1,000				21,361
Hospital patient recoveries	57,416					57,416
Legislative	34					34
Judicial review and legal	68,598	140,979	3,654			213,231
Executive and administrative control	8,474	281,740	173,433			463,647
Financial and revenue administration	14,782	49,761				64,543
Budget and management	2,869	28,429	9,369			40,667
Maryland lottery and gaming control	510,235	477,926				988,161
Information technology development		8,260	969			9,229
Retirement and pension		19,689				19,689
General services	70	3,092	1,185			4,347
Transportation and highways		1,389,216	940,996			2,330,212
Natural resources and recreation	179	78,173	30,518			108,870
Agriculture	167	33,816	4,240			38,223
Health, hospitals and mental hygiene	42,038	1,147,697	5,799,176			6,988,911
Human resources	1,495	120,903	1,955,597			2,077,995
Labor, licensing and regulation	12,078	139,333	174,830			326,241
Public safety and correctional services	11,693	140,763	27,293			179,749
Public education	4,427	57,708	1,031,894	\$ 4,178,526	\$ 1,331,366	6,603,921
Housing and community development	862	101,586	263,222			365,670
Business and economic development	295	80,738	800			81,833
Environment	902	262,798	75,703			339,403
Juvenile services		4,966	7,133			12,099
State police	24,383	92,324	1,795			118,502
Total estimated revenues (2)	\$ 15,992,168	\$ 8,164,520	\$ 10,513,297	\$ 4,178,526	\$ 1,331,366	\$ 40,179,877

(1) Includes \$899,422,000, recorded in the Debt Service Fund for accounting purposes.

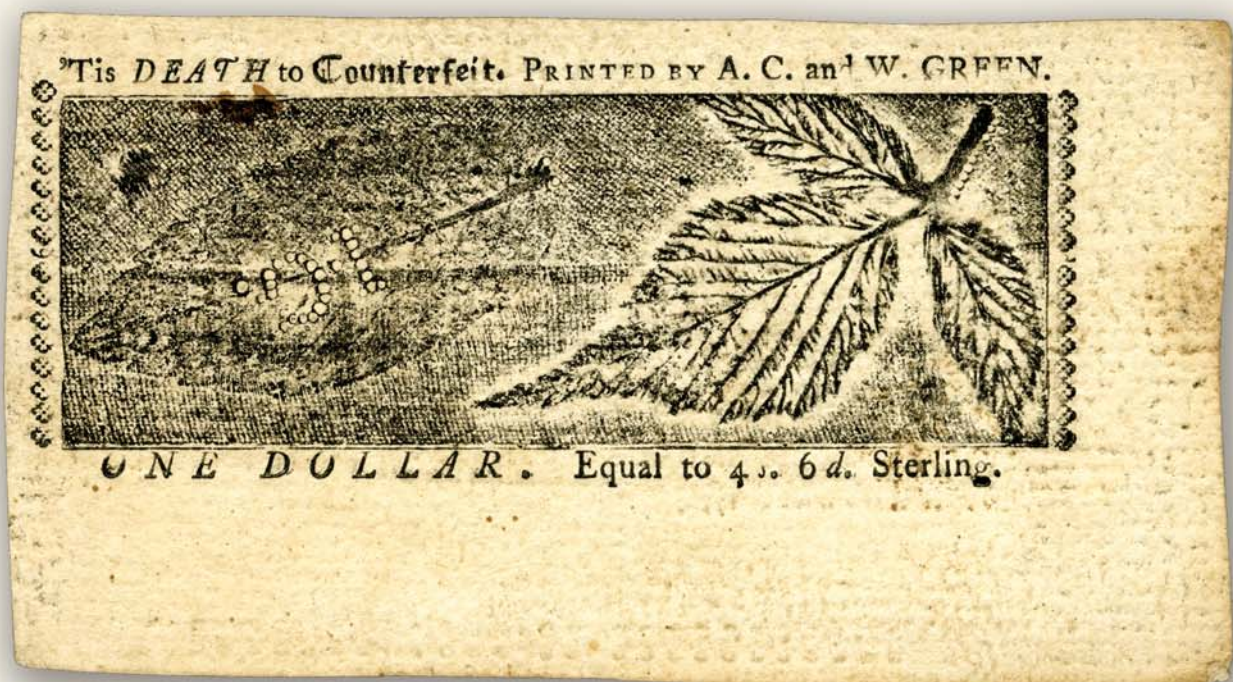
(2) Amounts are reported as of July 1, 2014, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND
Schedule of General, Special, Federal, Current Unrestricted
and Current Restricted Fund Appropriations - Budgetary Basis
For the Year Ending June 30, 2015
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State	\$ 163,456				\$	163,456
Public debt	140,000	\$ 887,932 (1)	\$ 11,490			1,039,422
Legislative	81,859					81,859
Judicial review and legal	544,613	141,866	3,654			690,133
Executive and administrative control	243,368	284,740	173,433			701,541
Financial and revenue administration	269,265	120,399				389,664
Budget and management	118,417	36,689	10,338			165,444
Retirement and pension		19,689				19,689
General services	62,323	3,092	1,185			66,600
Transportation and highways		3,653,714	940,996			4,594,710
Natural resources and recreation	52,318	166,755	30,518			249,591
Agriculture	27,795	42,314	4,240			74,349
Health, hospitals and mental hygiene	4,104,089	1,331,250	5,799,176			11,234,515
Human resources	637,220	120,903	1,955,597			2,713,720
Labor, licensing and regulation	45,152	140,257	174,830			360,239
Public safety and correctional services	1,170,635	140,763	27,293			1,338,691
Public education	7,730,952	531,745	1,031,894	\$ 4,178,526	\$ 1,331,366	14,804,483
Housing and community development	11,706	101,586	263,222			376,514
Business and economic development	98,410	80,738	800			179,948
Environment	36,484	262,798	75,703			374,985
Juvenile justice	285,697	4,966	7,133			297,796
State police	248,303	92,324	1,795			342,422
State reserve fund	19,714					19,714
Total appropriations (2)	\$ 16,091,776	\$ 8,164,520	\$ 10,513,297	\$ 4,178,526	\$ 1,331,366	\$ 40,279,485

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2014, and do not reflect revisions, if any, subsequent to that date.



REVERSE SIDE, COLONIAL ONE DOLLAR BILL, PROVINCE OF MARYLAND, 1770



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